



HEALTH ANNUAL STATEMENT

AS OF DECEMBER 31, 2002
OF THE CONDITION AND AFFAIRS OF THE

Memphis Managed Care Corp.

NAIC Group Code 0000 (Current Period) NAIC Company Code 00000 Employer's ID Number 62-1539163 (Prior Period)

Organized under the Laws of Tennessee, State of Domicile or Port of Entry Tennessee

Country of Domicile US

Licensed as business type:

Life Accident & Health [] Property/Casualty [] Hospital, Medical & Dental Service or Indemnity []
Dental Service Corporation [] Vision Service Corporation [] Other []
Health Maintenance Organization [X] Is HMO Federally Qualified? Yes () No ()

Incorporated July 7, 1993 Commenced Business January 1, 1994

Statutory Home Office 1407 Union Ave, Memphis, Tennessee 38104 (Street and Number, City or Town, State and Zip Code)

Main Administrative Office 1407 Union Ave, Memphis, Tennessee 38104 (Street and Number, City or Town, State and Zip Code) 901-725-7100 (Area Code) (Telephone Number)

Mail Address 1407 Union Ave, Memphis, Tennessee 38104 (Street and Number, City or Town, State and Zip Code)

Primary Location of Books and Records 1407 Union Ave, Memphis, Tennessee 38104 (Street and Number, City or Town, State and Zip Code)
901-725-7100 (Area Code) (Telephone Number)

Internet Website Address N/A

Statement Contact James Proctor (Name) 901-725-7100 -3003 (Area Code) (Telephone Number) (Extension)
jproctor@mmcc-tlc.com (E-Mail Address)

Policyowners Relations Contact and Phone Number (Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

OFFICERS

President Al King
Secretary Bruce Steinhauer, Dr.

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Steven Burkett
Brenda Jetter
Andy Spooner, Dr
Dennis Schaberg, Dr
Barry Fowler
Stuart Polly, Dr
Jeff Brandon
Bruce Steinhauer, Dr

State of Tennessee }
County of Shelby } SS

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

Subscribed and sworn to before me this 18th day of August 2003
Al King
President
NOTARY-PUBLIC (Seal)
My Commission Expires Sept. 8, 2003

Bruce Steinhauer, Dr.
Secretary
Treasurer

a. Is this an original filing? Yes () No (X)
b. If no: 1. State the amendment number 2
2. Date filed August 15, 2002
3. Number of pages attached 78

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	4 Net Admitted Assets
1. Bonds	2,613,127		2,613,127	2,029,028
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)			(a)	
4.2 Properties held for the production of income (less \$ encumbrances)				
4.3 Properties held for sale (less \$ encumbrances)				
5. Cash (\$ 10,318,148 , Schedule E - Part 1) and short-term investments (\$, Schedule DA - Part 2)	10,318,148		10,318,148	49,461,710
6. Other long-term invested assets				
7. Receivable for securities				
8. Aggregate write-ins for invested assets				
9. Subtotal cash and invested assets (Line 1 to Line 8)	12,931,275		12,931,275	51,490,738
10. Accident and health premiums due and unpaid				
11. Health care receivables	344,849		344,849	2,622,935
12. Amounts recoverable from reinsurers	123,077		123,077	217,967
13. Net adjustments in assets and liabilities due to foreign exchange rates				
14. Investment income due and accrued	39,288		39,288	39,010
15. Amounts due from parent , subsidiaries and affiliates	51,069		51,069	1,604,189
16. Amounts receivable relating to uninsured accident and health plans				
17. Furniture and equipment	862,505	862,505		
18. Amounts due from agents				
19. Federal and foreign income tax recoverable and interest thereon (including \$ net deferred tax asset)				
20. Electronic data processing equipment and software	1,282,313	1,282,313		397,443
21. Other nonadmitted assets				
22. Aggregate write-ins for other than invested assets	423,724	228,274	195,450	
23. Total assets (Line 9 plus Line 10 through Line 22)	16,058,100	2,373,092	13,685,008	56,372,282
DETAILS OF WRITE-INS				
0801.				
0802.				
0803.				
0898. Summary of remaining write-ins for Line 8 from overflow page				
0899. Totals (Line 0801 through Line 0803 plus Line 0898) (Line 8 above)				
2201. Prepaid Exp	228,274	228,274		
2202.				
2203. Pharmacy Rebate	195,450		195,450	
2298. Summary of remaining write-ins for Line 22 from overflow page				
2299. Totals (Line 2201 through Line 2203 plus Line 2298) (Line 22 above)	423,724	228,274	195,450	

(a) \$ health care delivery assets included in Line 4.1, Column 3.

Memphis Managed Care Corporation

Management Discussion and Analysis December 31, 2002

Financial Position

A. Assets

Total Assets as of December 31, 2002 \$16,058,100 with Net Admitted Assets of \$13,685,008. Overall Net Assets showed a decrease of \$40,314,182 (Current \$15,913,747 from the prior year of \$56,372,282). This was caused by the switch to an ASO model, which eliminated holding reserves for the payment of future medical expenses and the corresponding payout of existing reserves.

The largest area of decrease was in Cash \$39,143,562 (Current \$10,318,148 from \$49,461,710), while EDP Assets rose \$789,581 (\$1,187,024 from \$397,000), Furniture and Equipment rose (\$862,505 from None), and there was a decrease in Reinsurance Recoverable \$94,890 (Current \$123,077 from \$217,967).

B. Liabilities

Total Liabilities decreased \$34,186,718 - Current \$8,546,983 from \$42,733,701 for the prior year. Accounts Payable rose slightly to \$2,524,905 from \$2,276,556 in the prior period. This can be attributed to the change to an ASO model under the new CRA. The Unpaid Claims Reserve liability has been carefully reviewed and it has been certified by MMCC's external actuary.

Contingent Liabilities – There are various disputes that have arisen in the ordinary course of its business and some have cause legal proceedings to be initiated. One of which is a lawsuit with several medical providers for payment of medical claims for emergency room services approximating one million dollars in billed charges. We estimate that our maximum liability at less than \$400,000. The lawsuit is expected to be settled out of court. The negotiations are still actively ongoing, and the total exposure, if any, is expected to be within the parameters already noted.

C. Changes in Capital and Surplus

MMCC has statutory net worth of \$5,138,028 as of December 31, 2002. A detailed and line-by-line description of MMCC's Net Worth is as follows:

Line 21. Gross paid in and contributed surplus: This is the original

Line 22 – Surplus Notes: This is comprised of two items, the first being two \$1,000,000 capital surplus note, one from each owner. The second being the remainder of what was originally \$9,5000,083 in checks to the Regional Medical Center at Memphis that were retained in 1999 due to a capital deficiency. In an agreement signed by all parties and approved by the Department of commerce and Insurance, checks for services were withheld from this owner. Per the agreement, MMCC would release these check only after additional capital has been generated through operating margins over a 48 month period. The amount scheduled to be released is \$197,917 per month or \$593,751 per quarter. As of December 31, 2002 there was a balance of \$4,750,515.

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	3, 113, 636		3, 113, 636	40, 457, 145
2. Accrued medical incentive pool and bonus payments				
3. Unpaid claims adjustment expenses				
4. Aggregate policy reserves				
5. Aggregate claim reserves				
6. Premiums received in advance				
7. General expenses due or accrued	2, 524, 905		2, 524, 905	2, 276, 556
8. Federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses)) (including \$ net deferred tax liability)				
9. Amounts withheld or retained for the account of others				
10. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)				
11. Amounts due to parent, subsidiaries and affiliates	2, 908, 442		2, 908, 442	
12. Payable for securities				
13. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)				
14. Reinsurance in unauthorized companies				
15. Net adjustments in assets and liabilities due to foreign exchange rates				
16. Liability for amounts held under uninsured accident and health plans				
17. Aggregate write-ins for other liabilities (including \$ current)				
18. Total liabilities (Line 1 to Line 17)	8, 546, 983		8, 546, 983	42, 733, 701
19. Common capital stock	X X X	X X X		
20. Preferred capital stock	X X X	X X X		
21. Gross paid in and contributed surplus	X X X	X X X	3, 699, 818	3, 699, 818
22. Surplus notes	X X X	X X X	6, 750, 515	6, 750, 515
23. Aggregate write-ins for other than special surplus funds	X X X	X X X		
24. Unassigned funds (surplus)	X X X	X X X	(5, 312, 305)	3, 188, 251
25. Less treasury stock , at cost:				
25.1 shares common (value included in Line 19 \$)	X X X	X X X		
25.2 shares preferred (value included in Line 20 \$)	X X X	X X X		
26. Total capital and surplus (Line 19 to Line 24 less Line 25)	X X X	X X X	5, 138, 028	13, 638, 584
27. Total liabilities, capital and surplus (Line 18 and Line 26)	X X X	X X X	13, 685, 011	56, 372, 285
DETAILS OF WRITE-INS				
1701.				
1702.				
1703.				
1798. Summary of remaining write-ins for Line 17 from overflow page				
1799. Totals (Line 1701 through Line 1703 plus Line 1798) (Line 17 above)				
2301.	X X X	X X X		
2302.	X X X	X X X		
2303.	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months	X X X	2,414,074	1,522,075
2. Net premium income	X X X	116,527,239	227,755,755
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$ medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		140,746
7. Total revenues (Line 2 to Line 6)	X X X	116,527,239	227,896,501
Medical and Hospital:			
8. Hospital/ medical benefits		23,017,195	49,156,902
9. Other professional services		45,765,150	141,641,163
10. Outside referrals			
11. Emergency room and out-of-area		26,258,265	11,990,696
12. Prescription drugs		21,000,488	
13. Aggregate write-ins for other medical and hospital			
14. Incentive pool and withhold adjustments			
15. Subtotal (Line 8 to Line 14)		116,041,098	202,788,761
Less:			
16. Net reinsurance recoveries		214,731	2,478,238
17. Total medical and hospital (Line 15 minus Line 16)		115,826,367	200,310,523
18. Claims adjustment expenses		582,251	
19. General administrative expenses		3,301,428	18,507,972
20. Increase in reserves for accident and health contracts			
21. Total underwriting deductions (Line 17 through Line 20)		119,710,046	218,818,495
22. Net underwriting gain or (loss) (Line 7 minus Line 21)	X X X	(3,182,807)	9,078,006
23. Net investment income earned		1,065,208	1,496,619
24. Net realized capital gains or (losses)			
25. Net investment gains or (losses) (Line 23 plus Line 24)		1,065,208	1,496,619
26. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			
27. Aggregate write-ins for other income or expenses		456,078	180,526
28. Net income or (loss) before federal income taxes (Line 22 plus Line 25 plus Line 26 plus Line 27)		(1,661,521)	10,755,151
29. Federal and foreign income taxes incurred	X X X		
30. Net income (loss) (Line 28 minus Line 29)	X X X	(1,661,521)	10,755,151
DETAILS OF WRITE-INS			
0601.	X X X		140,746
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. Totals (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)	X X X		140,746
1301.			
1302.			
1303.			
1398. Summary of remaining write-ins for Line 13 from overflow page			
1399. Totals (Line 1301 through Line 1303 plus Line 1398) (Line 13 above)			
2701. Other Income		456,078	180,526
2702.			
2703.			
2798. Summary of remaining write-ins for Line 27 from overflow page			
2799. Totals (Line 2701 through Line 2703 plus Line 2798) (Line 27 above)		456,078	180,526

STATEMENT OF REVENUE AND EXPENSES (continued)

	1	2
	Current Year	Prior Year
CAPITAL AND SURPLUS ACCOUNT		
31. Capital and surplus prior reporting year	13,638,584	6,376,255
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
32. Net income or (loss) from Line 30	(1,661,522)	10,755,151
33. Change in valuation basis of aggregate policy and claims reserves		
34. Net unrealized capital gains and losses		
35. Change in net unrealized foreign exchange capital gain or (loss)		
36. Change in net deferred income tax		
37. Change in nonadmitted assets	(293,494)	(1,570,151)
38. Change in unauthorized reinsurance		
39. Change in treasury stock		
40. Change in surplus notes		(1,781,850)
41. Cumulative effect of changes in accounting principles		
42. Capital Changes:		
42.1 Paid in		
42.2 Transferred from surplus (Stock Dividend)		
42.3 Transferred to surplus		
43. Surplus adjustments:		
43.1 Paid in		
43.2 Transferred to capital (Stock Dividend)		
43.3 Transferred from capital		
44. Dividends to stockholders		
45. Aggregate write-ins for gains or (losses) in surplus	(6,545,535)	(140,791)
46. Net change in capital and surplus (Line 32 to Line 45)	(8,500,551)	7,262,359
47. Capital and surplus end of reporting period (Line 31 plus Line 46)	5,138,033	13,638,614
DETAILS OF WRITE-INS		
4501. Audit Adjustment	(6,545,535)	(140,791)
4502. 0		
4503. 0		
4598. Summary of remaining write-ins for Line 45 from overflow page		
4599. Totals (Line 4501 through Line 4503 plus Line 4598) (Line 45 above)	(6,545,535)	(140,791)

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums and revenues collected net of reinsurance	118,796,726	228,867,533
2. Claims and claims adjustment expenses	155,374,170	178,468,823
3. General administrative expenses paid	2,745,530	17,693,523
4. Other underwriting income (expenses)		
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	(39,322,974)	32,705,187
6. Net investment income	1,062,842	1,495,744
7. Other income (expenses)	456,078	1,343,350
8. Federal and foreign income taxes (paid) recovered		
9. Net cash from operations (Line 5 to Line 8)	(37,804,054)	35,544,281
Cash from Investments		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds	15,126,235	300,000
10.2 Stocks		
10.3 Mortgage loans		
10.4 Real estate		
10.5 Other invested assets		
10.6 Net gains or (losses) on cash and short-term investments		
10.7 Miscellaneous proceeds		
10.8 Total investment proceeds (Line 10.1 to Line 10.7)	15,126,235	300,000
11. Cost of investments acquired (long-term only):		
11.1 Bonds	15,628,535	510,121
11.2 Stocks		
11.3 Mortgage Loans		
11.4 Real estate		
11.5 Other invested assets		
11.6 Miscellaneous applications		
11.7 Total investments acquired (Line 11.1 to Line 11.6)	15,628,535	510,121
12. Net cash from investments (Line 10.8 minus Line 11.7)	(502,300)	(210,121)
Cash from Financing and Miscellaneous Sources		
13. Cash Provided:		
13.1 Surplus notes, capital and surplus paid in		(1,781,852)
13.2 Net transfers from affiliates		
13.3 Borrowed funds received		
13.4 Other cash provided		
13.5 Total (Line 13.1 to Line 13.4)		(1,781,852)
14. Cash applied:		
14.1 Dividends to stockholders paid		
14.2 Net transfers to affiliates		
14.3 Borrowed funds repaid		
14.4 Other applications	837,208	1,878,478
14.5 Total (Line 14.1 to Line 14.4)	837,208	1,878,478
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	(837,208)	(3,660,330)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	(39,143,562)	31,673,830
17. Cash and short-term investments:		
17.1 Beginning of year	49,461,710	17,787,880
17.2 End of year (Line 16 plus Line 17.1)	10,318,148	49,461,710

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital and Medical)	Medical Only	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other
1. Net premium income	116,527,239								116,527,239				
2. Change in unearned premium reserves and reserve for rate credit													
3. Fee-for-service (net of \$ medical expenses)													
4. Risk revenue													
5. Aggregate write-ins for other health care related revenues													
6. Total revenues (Line 1 to Line 5)	116,527,239								116,527,239				
7. Medical/hospital benefits	23,017,195								23,017,195				
8. Other professional services	45,765,150								45,765,150				
9. Outside referrals													
10. Emergency room and out-of-area	26,258,265								26,258,265				
11. Prescription drugs	21,000,488								21,000,488				
12. Aggregate write-ins for other medical and hospital													
13. Incentive pool and withhold adjustments													
14. Subtotal (Line 7 to Line 13)	116,041,098								116,041,098				
15. Net reinsurance recoveries	214,731								214,731				
16. Total medical and hospital (Line 14 minus Line 15)	115,826,367								115,826,367				
17. Claim adjustment expenses	582,251								582,251				
18. General administrative expenses	3,301,428								3,301,428				
19. Increase in reserves for accident and health contracts													
20. Total underwriting deductions (Line 16 to Line 19)	119,710,046								119,710,046				
21. Net underwriting gain or (loss) (Line 6 minus Line 20)	(3,182,807)								(3,182,807)				
DETAILS OF WRITE-INS													
0501. Other Revenue													
0502.													
0503.													
0598. Summary of remaining write-ins for Line 5 from overflow page													
0599. Total (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)													
1201.													
1202.													
1203.													
1298. Summary of remaining write-ins for Line 12 from overflow page													
1299. Total (Line 1201 through Line 1203 plus Line 1298) (Line 12 above)													

UNDERWRITING AND INVESTMENT EXHIBIT

Part1 - Premiums

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Column 1 plus Column 2 minus Column 3)
1. Comprehensive (medical and hospital)				
2. Medicare Supplement				
3. Dental only				
4. Vision only				
5. Federal Employees Health Benefits Plan Premiums				
6. Title XVIII - Medicare				
7. Title XIX - Medicaid	119,224,610		2,697,371	116,527,239
8. Other				
9. Totals	119,224,610		2,697,371	116,527,239

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Payments during the year:									
1.1 Direct	153,384,607							153,384,607	
1.2 Reinsurance assumed									
1.3 Reinsurance ceded	214,731							214,731	
1.4 Net	153,169,876							153,169,876	
2. Paid medical incentive pools and bonuses									
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct	3,113,636							3,113,636	
3.2 Reinsurance assumed									
3.3 Reinsurance ceded									
3.4 Net	3,113,636							3,113,636	
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct									
4.2 Reinsurance assumed									
4.3 Reinsurance ceded									
4.4 Net									
5. Accrued medical incentive pools and bonuses, current year									
6. Amounts recoverable from reinsurers December 31, current year	123,077							123,077	
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct	40,457,145							40,457,145	
7.2 Reinsurance assumed									
7.3 Reinsurance ceded									
7.4 Net	40,457,145							40,457,145	
8. Claim reserve December 31, prior year from Part 2D:									
8.1 Direct									
8.2 Reinsurance assumed									
8.3 Reinsurance ceded									
8.4 Net									
9. Accrued medical incentive pools and bonuses, prior year									
10. Amounts recoverable from reinsurers December 31, prior year	217,967							217,967	
11. Incurred benefits:									
11.1 Direct	116,041,098							116,041,098	
11.2 Reinsurance assumed									
11.3 Reinsurance ceded	119,841							119,841	
11.4 Net	115,921,257							115,921,257	
12. Incurred medical incentive pools and bonuses									

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Reported in Process of Adjustment:									
1.1 Direct									
1.2 Reinsurance assumed									
1.3 Reinsurance ceded									
1.4 Net									
2. Incurred but Unreported:									
2.1 Direct	3,113,636						3,113,636		
2.2 Reinsurance assumed									
2.3 Reinsurance ceded									
2.4 Net	3,113,636						3,113,636		
3. Amounts Withheld from Paid Claims and Capitations:									
3.1 Direct									
3.2 Reinsurance assumed									
3.3 Reinsurance ceded									
3.4 Net									
4. TOTALS:									
4.1 Direct	3,113,636						3,113,636		
4.2 Reinsurance assumed									
4.3 Reinsurance ceded									
4.4 Net	3,113,636						3,113,636		

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 plus Column 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (medical and hospital)						
2. Medicare Supplement						
3. Dental Only						
4. Vision Only						
5. Federal Employees Health Benefits Plan Premiums						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid	44,421,884	108,747,992	643,286	2,470,350	45,065,170	40,457,145
8. Other						
9. Subtotal	44,421,884	108,747,992	643,286	2,470,350	45,065,170	40,457,145
10. Medical incentive pools, accruals and disbursements						
11. Totals	44,421,884	108,747,992	643,286	2,470,350	45,065,170	40,457,145

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

Section A - Paid Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998	41,600,329	14,790,157	114,847	13,840	
3. 1999	X X X		12,072,862	50,255	2,480
4. 2000	X X X	X X X	66,406,314	13,486,817	406,888
5. 2001	X X X	X X X	X X X	108,800,556	44,012,516
6. 2002	X X X	X X X	X X X	X X X	89,532,241

Section B - Incurred Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior				1,141	
2. 1998				13,840	
3. 1999	X X X			50,255	2,480
4. 2000	X X X	X X X		13,558,411	406,888
5. 2001	X X X	X X X	X X X	146,590,261	44,655,802
6. 2002	X X X	X X X	X X X	X X X	92,002,591

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio - Title XIX Medicaid

Years in Which Premiums Were Earned and Claims Were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Column 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Column 2 plus 3)	6 (Column 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Column 5 + 7 + 8)	10 (Column 9 / 1) Percent
1. Prior to 1998	X X X			X X X		X X X				X X X
2. 1998										
3. 1999										
4. 2000										
5. 2001	227,755,755	108,805,832			108,805,832	47.773	40,385,551		149,191,383	65.505
6. 2002	116,527,239	89,532,241			89,532,241	76.834	643,286		90,175,527	77.386
7. Total (Line 1 through Line 6)	X X X	198,338,073		X X X	198,338,073	X X X	41,028,837		239,366,910	X X X
8. Total (Line 2 through Line 6)	344,282,994	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
POLICY RESERVE									
1. Unearned premium reserves									
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$) for investment income									
5. Aggregate write-ins for other policy reserves									
6. Totals (gross)									
7. Reinsurance ceded									
8. Totals (Net) (Page 3, Line 4)									
CLAIM RESERVE									
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. Totals (gross)									
13. Reinsurance ceded									
14. Totals (Net) (Page 3, Line 5)									
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page									
0599. Totals (Line 0501 through Line 0503 plus Line 05098) (Line 5 above)									
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page									
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above)									

NONE

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	1	2	3	4
	Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ for occupancy of own building)	68,828	490,679		559,507
2. Salaries, wages and other benefits	2,629,046	7,862,589		10,491,635
3. Commissions (less \$ceded plus \$assumed)				
4. Legal fees and expenses		108,866		108,866
5. Certifications and accreditation fees				
6. Auditing, actuarial and other consulting services	231,466	2,829,355		3,060,821
7. Traveling expenses		229,331		229,331
8. Marketing and advertising		48,955		48,955
9. Postage, express, and telephone	68,982	759,547		828,529
10. Printing and office supplies	36,390	989,451		1,025,841
11. Occupancy, depreciation and amortization		978,369		978,369
12. Equipment	21,214	467,561		488,775
13. Cost or depreciation of EDP equipment and software		608,586		608,586
14. Outsourced services including EDP, claims, and other services				
15. Boards, bureaus and association fees		47,720		47,720
16. Insurance, except on real estate		214,274		214,274
17. Collection and bank service charges				
18. Group service and administration fees				
19. Reimbursements by uninsured accident and health plans				
20. Reimbursements from fiscal intermediaries				
21. Real estate expenses				
22. Real estate taxes				
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes		4,421,789		4,421,789
23.2 State premium taxes				
23.3 Regulator authority licenses and fees				
23.4 Payroll taxes				
23.5 Other (excluding federal income and real estate taxes)				
24. Investment expenses not included elsewhere			42,831	42,831
25. Aggregate write-ins for expenses	(2,473,674)	(16,755,645)		(19,229,319)
26. Total expenses incurred (Line 1 to Line 25)	582,252	3,301,427	42,831	(a) 3,926,510
27. Add expenses unpaid December 31, prior year		1,911,499		1,911,499
28. Less expenses unpaid December 31, current year		2,467,396		2,467,396
29. Amounts receivable relating to uninsured accident and health plans, prior year				
30. Amounts receivable relating to uninsured accident and health plans, current year				
31. Total expenses paid (Line 26 plus Line 27 minus Line 28 minus Line 29 plus Line 30)	582,252	2,745,530	42,831	3,370,613
DETAILS OF WRITE-INS				
2501.	(2,473,674)	(16,755,645)		(19,229,319)
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	(2,473,674)	(16,755,645)		(19,229,319)

(a) Includes management fees of \$ to affiliates and \$ to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U. S. Government bonds	(a) 560,919	..... 563,285
1.1 Bonds exempt from U. S. tax	(a) .....	.....
1.2 Other bonds (unaffiliated)	(a) .....	.....
1.3 Bonds of affiliates	(a) .....	.....
2.1 Preferred stocks (unaffiliated)	(b) .....	.....
2.11 Preferred stocks of affiliates	(b) .....	.....
2.2 Common stocks (unaffiliated) .....	.....	.....
2.21 Common stocks of affiliates .....	.....	.....
3. Mortgage loans	(c) .....	.....
4. Real estate	(d) .....	.....
5. Contract loans .....	.....	.....
6. Cash/short-term investments	(e) 544,753	..... 544,753
7. Derivative instruments	(f) .....	.....
8. Other invested assets .....	.....	.....
9. Aggregate write-ins for investment income .....	.....	.....
10. Total gross investment income .....	..... 1,105,672	..... 1,108,038
11. Investment expenses .....	.....	(g) 42,831
12. Investment taxes, licenses and fees, excluding federal income taxes .....	.....	(g)
13. Interest expense .....	.....	(h)
14. Depreciation on real estate and other invested assets .....	.....	(i)
15. Aggregate write-ins for deductions from investment income .....	.....	.....
16. Totals deductions (Line 11 through Line 15) .....	.....	..... 42,831
17. Net investment income (Line 10 minus Line 16) .....	.....	..... 1,065,207
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903 plus Line 0998) (Line 9 above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503 plus Line 1598) (Line 15 above)		
(a) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.	(f) Includes \$ accrual of discount less \$ amortization of premium.	
(b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.	(g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.	
(c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.	(h) Includes \$ interest on surplus notes and \$ interest on capital notes.	
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.	(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.	
(e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Net Gain (Loss) from Change in Difference Between Basis Book / Adjusted Carrying and Admitted Values	Total
1. U. S. Government bonds
1.1 Bonds exempt from U. S. tax
1.2 Other bonds (unaffiliated)
1.3 Bonds of affiliates
2.1 Preferred stocks (unaffiliated)
2.11 Preferred stocks of affiliates
2.2 Common stocks (unaffiliated)
2.21 Common stocks of affiliates
3. Mortgage loans
4. Real estate
5. Contract loans
6. Cash/short-term investments
7. Derivative instruments
8. Other invested assets
9. Aggregate write-ins for capital gains (losses)
10. Total capital gains (losses)
DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Lines 0901 through 0903 plus Line 0998) (Line 9 above)					

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) or Decrease
1. Summary of items Page 2, Lines 10 to 13 and 15 to 20, Column 2	2,373,092	2,079,598	(293,494)
2. Other Nonadmitted Assets:			
2.1 Bills receivable			
2.2 Leasehold improvements			
2.3 Cash advanced to or in hands of officers and agents			
2.4 Loans on personal security, endorsed or not			
2.5 Commuted commissions			
3. Total (Line 2.1 to Line 2.5)			
4. Aggregate write-ins for other than invested assets			
5. Total (Line 1 plus Line 3 and Line 4)	2,373,092	2,079,598	(293,494)
DETAILS OF WRITE-INS			
0401.			
0402.			
0403.			
0498. Summary of remaining write-ins for Line 4 from overflow page			
0499. Totals (Line 0401 through Line 0403 plus Line 0498) (Line 4 above)			

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations	1,522,075	210,593	207,173	206,394	191,307	2,414,074
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business						
7. Total	1,522,075	210,593	207,173	206,394	191,307	2,414,074
DETAILS OF WRITE-INS						
0601.....						
0602.....						
0603.....						
0698. Summary of remaining write-ins for Line 6 from overflow page						
0699. Totals (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)						

EXHIBIT 3 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1	2	3	4	5	6	7
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted

NONE

EXHIBIT 4 - HEALTH CARE RECEIVABLES

1	2	3	4	5	6	7
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted
Gross health care receivables						
UT BOWLD		11,641				11,641
JACKSON GEN		114,002				114,002
BAPTIST		96,966				96,966
HEALTH FIRST				20,000		20,000
OSMEN INSURANCE AGENCY	102,240					102,240
0599999 - Gross health care receivables	102,240	222,609		20,000		344,849

EXHIBIT 5 - CLAIMS PAYABLE (Reported and Unreported)

Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
0599999 - Unreported Claims and other claim reserves						3,113,636
0799999 - Total claims payable.....						3,113,636

EXHIBIT 6 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1 Name of Affiliate	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	Admitted	
						7 Current	8 Non-Current
Individually listed receivables							
The Regional Medical Center.....	51,069					51,069	
0199999 - Subtotal - Individually listed receivables.....	51,069					51,069	
0399999 - TOTAL gross amounts receivable.....	51,069					51,069	

EXHIBIT 7 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

1	2	3	4	5
Affiliate	Description	Amount	Current	Non-Current
Individually listed payables				
UTMG Medical Group	Reconciliation of Risk Sharing Agreement	2,908,442	2,908,442	
0199999 - Subtotal - Individually listed payables		2,908,442	2,908,442	
0399999 - TOTAL gross payables		2,908,442	2,908,442	

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Memphis Managed Care Corp .

EXHIBIT 8 - PART 1 - SUMMARY OF TRANSACTIONS WITH PROVIDERS

Payment Method	1 Direct Medical Expense Payment	2 Column 1 as a % of Total	3 Total Members Covered	4 Column 3 as a % of Total	5 Column 1 Expenses Paid to Affiliated Providers	6 Column 1 Expenses Paid to Non-Affiliated Providers
Capitation Payments:						
1. Medical groups	11,741,296	7.585	2,414,074	100.000	4,718,631	7,022,665
2. Intermediaries						
3. All other providers						
4. Total capitation payments	11,741,296	7.585	2,414,074	100.000	4,718,631	7,022,665
Other Payments:						
5. Fee-for-service			X X X	X X X		
6. Contractual fee payments	143,050,622	92.415	X X X	X X X	30,143,872	112,906,750
7. Bonus/withhold arrangements - fee-for-service			X X X	X X X		
8. Bonus/withhold arrangements - contractual fee payments			X X X	X X X		
9. Non-contingent salaries			X X X	X X X		
10. Aggregate cost arrangements			X X X	X X X		
11. All other payments			X X X	X X X		
12. Total other payments	143,050,622	92.415	X X X	X X X	30,143,872	112,906,750
13. Total (Line 4 plus Line 12)	154,791,918	100%	X X X	X X X	34,862,503	119,929,415

EXHIBIT 8 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

1 NAIC Code	2 Name of Intermediary	3 Capitation Paid	4 Average Monthly Capitation	5 Intermediary's Total Adjusted Capital	6 Intermediary's Authorized Control Level RBC
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NONE

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Memphis Managed Care Corp .

EXHIBIT 9 - FURNITURE, EQUIPMENT AND SUPPLIES OWNED

	1	2	3	4	5	6
Description	Cost	Improvements	Accumulated Depreciation	Book Value Less Encumbrances	Assets Not Admitted	Net Admitted Assets
1. Administrative furniture and equipment	5,590,297		3,540,768	2,049,529	2,049,529	
2. Medical furniture, equipment and fixtures						
3. Pharmaceuticals and surgical supplies						
4. Durable medical equipment						
5. Other property and equipment						
6. Total	5,590,297		3,540,768	2,049,529	2,049,529	

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Memphis Managed Care Corporation Have been prepared in accordance with the NAIC Accounting Practice and Procedure Manual except to the extent that state law Differs.

The company, at the direction of the Commissioner of Insurance of the State of Tennessee for the period May 1, 2002 – December 31, 2002, on report #2A records claims reimbursements and administrative reimbursements as premiums, instead of netting them against claims and general administrative expenses respectively as required by SAP. Claims reimbursements for the period totaled \$208,282,438 while administrative reimbursements totaled \$19,028,259.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with the Annual Statement Instructions and Accounting Practice and Procedures manual requires the use of management's estimates.

- 1) Short-term investments are stated at amortized cost.
- 2) Bonds are stated at amortized cost using the effective interest method.
- 3) The company does not hold common stock.
- 4) The company does not hold preferred stock.
- 5) The company does not hold mortgage loans.
- 6) The company does not hold loan-backed securities.
- 7) The company does not hold investments in subsidiaries, controlled and affiliated companies.
- 8) The company does not have minor ownership interests in joint ventures.
- 9) The company does not carry derivatives.

2. Accounting Changes and Corrections of Errors

A. Disclosure of material changes in accounting principles and or errors

N/A

3. Business Combinations and Goodwill

A. Statutory Purchase Method

N/A

B. Merger

N/A

C. Impairment Loss

N/A

4. Discontinued Operations

N/A

5. Investments

A. Mortgage Loans

N/A

B. Debt Restructuring

N/A

C. Reverse Mortgages

N/A

D. Loan Backed Securities

N/A

E. Repurchase Agreements

N/A

6. Joint Ventures, Partnerships and Limited Liability Companies

N/A

7. Investment Income

A. N/A

B. Total Amount excluded was \$0

8. Derivative Instruments

9. Income Tax

A. Components of net deferred income tax asset or liability

N/A

B. DTLs not recognized

N/A

C. Significant components of income taxes incurred

N/A

D. Significant reconciling items of income taxes incurred

N/A

E(1). Operating loss and tax credit carry fowards

N/A

E(2). Recoupment of Income taxes available in the event of furture losses

N/A

F Consolidated federal Income tax return

N/A

10. Information Concerning Parent, Subsidiaries and Affiliates

A. The company is jointly owned by The Regional Medical Center (The Med) & University of Tennessee Medical Group (UTMG).

B. Description of transactions

N/A

C. Dollar amount of Transactions

N/A

D. At December 31, 2002 the company reported \$2,908,442 Due to UTMG for the reconciliation of specialty cap services. The company reported \$51,068.84 due from The Med for MedCall & MRI services rendered.

E. Guarantees or undertakings for the benefit of an affiliate

N/A

F. Description of any material management contracts with related parties

N/A

G. Ownership in the company is 50% The Med, 50% UTMG

	H.	Amount deducted from the value of an upstream intermediate entity	
		N/A	
	I.	Investment in SCA in excess of SCA entity	
		N/A	
	J.	Investment in SCA entity	
		N/A	
11.	Debt		
	A.	Capital Notes	
		N/A	
	B.	Other Debt	
		N/A	
12.	Retirement Plans, Deferred Compensation, Post employment Benefits and compensated Absences and other Postretirement Benefit Plans		
Annual Statement for the Year 2002 of Memphis Managed Care Corp			
	B.	Defined Contribution Plan	
		N/A	
	C.	Multiemployer Plans	
		N/A	
	D.	Consolidated/Holdings Company Plans	
		N/A	
	E.	Post employment Benefits and Compensated Absences	
		N/A	
13.	Capital and Surplus, Shareholders' Dividend Restrictions and Quasi Reorganizations.		
		1) The company has	
		2) The company has no preferred stock outstanding	
		3) Dividend Restrictions – N/A	
		4) Restrictions on unassigned Funds – None	
		5) The State of Tennessee requires the company to hold statutory deposits in the amount of 2,400,000	
		6) For mutuals, and similarly organized companies the total amount of advances to surplus not repaid. – N/A	
		7) Total Amount of Stock Held by the company – N/A	
		8) Changes in special surplus funds – N/A	
		9) Portion of unassigned funds (surplus) represented or reduced by each of the following items:	
		a. Unrealized gains and losses -	N/A
		b. Nonadmitted assets	2,373,092
		c. Stock purchase warrants	N/A
		10) Surplus Notes	
		The surplus note in the amount of \$1,000,000, listed as item 1 in the above table was issued to UTMG (Parent) in exchange for cash.	
		The surplus note in the amount of \$1,000,000, listed as item 2 in the above table was issued to The Med (Parent) in exchange for cash.	
		The surplus note in the amount of \$9,491,216, listed as item 2 in the above table was issued to The Med (Parent) in exchange for cash.	
		The surplus notes has the following repayment restrictions: Each payment of interest on and principal of the surplus notes may be made only with prior approval of the commissioner of Insurance of the State of Tennessee and only to the extent the company has sufficient surplus earnings to make such payment.	
		11) Impact of the restatement in quasi reorganization – N/A	
		12) Effective Date of a quasi reorganization – N/A	
14.	Contingencies		

A. Contingent Commitments

N/A

B. Assessments

N/A

C. Gain Contingencies

N/A

D. All Other Contingencies

Contingent Liabilities – There are various disputes that have arisen in the ordinary course of its business and some have cause legal proceedings to be initiated. One of which is a lawsuit with several medical providers for payment of medical claims for emergency room services approximating one million dollars in billed charges. We estimate that our maximum liability at less than \$400,000. The lawsuit is expected to be settled out of court. The negotiations are still actively ongoing, and the total exposure, if any, is expected to be within the parameters already noted.

15. Leases

A. Disclosures related to lessee leasing arrangements

N/A

B. Disclosures related to lessor leasing arrangements

N/A

16. Off Balance Sheet risk

- 1) The company has no financial instruments with off balance sheet risk.
- 2) The company does not use swaps, futures or options.
- 3) The company has no financial instruments with off balance sheet risk, and no counter party exposure.
- 4) The company has on financial instruments subject to credit risk.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfer of Receivables reported as Sales

N/A

B. Transfer and Servicing of financial Assets

N/A

C. Wash Sales

N/A

18. Gain or Loss to the company from Uninsured A&H Plans and Uninsured Portion of Partially Insured Plans

A. ASO Plan

The Gain from Operations from ASO uninsured plans and uninsured portion of partially insured plans was as follows during 2002:

	(1)	(2)	(3)
	ASO Uninsured Plan	Uninsured Portion of Partially Insured Plans	Total ASO
a. Net reimbursement for Administrative Expenses (including Administrative Fees) In excess of Actual Expenses	\$ 4,836,442	\$	\$4,836,442
b. Total Net Other Income or Expenses (Including Interest paid to or received from plans)	\$	\$	\$
c. Net Gain or Loss from Operations			

d. Total Claim Payment Volume \$208,282,438 \$ \$208,282,438

B. ASC Plan

N/A

C. Medicare or Other Similarly structured cost based reimbursement Contact:

N/A

19. Direct Premium Written/Produced by managing general agents/third Party Administrators

N/A

20. Other Items

A. Extraordinary Items

N/A

B. Troubled Debt Restructuring

N/A

C. Other Disclosures

None

21. Events Subsequent

N/A

22. Reinsurance

N/A

23. Retrospectively Rated Contracts

N/A

24. Organization and Operations

Memphis Managed Care Corporation was incorporated as a non-profit organization in 1993. The board of directors has equal representation from both The med and UTMG (owners).

25. Salvage and Subrogation

N/A

26. Change in Incurred Claims and Claim Adjustment Expense
Rserve for incurred claims and claim adjustment expenses attributable to Insured events of prior years has Increased by \$4,608,025 from 40,457,145 in 2001 to \$45,065,170 in 2002. Result of reestimation of unpaid claims and claim adjustment expenses. Increase is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information become known regarding individual claims.

27. Minimum Net Worth

The company must maintain the larger of the minimum net worth of \$1,500,000 or 4% of the first \$150,000,000 in premium and 1.5% in excess of that amount, as reported on the most recent annual statement filed with the Tennessee Department of Commerce and Insurance.

	Net Premium Revenue		Calculated Requirement
Up To 150,000,000	150,000,000.00	4%	6,000,000.00
>150,000,000	196,535,307.00	1.5%	2,948,029.61
Total	346,535,307.00		8,948,029.61

NOTES TO FINANCIAL STATEMENTS
(Electronic Filing Only)

4. Discontinued Operations

5. The amounts related to Discontinued Operations and the effect on the Company's Balance Sheet and Statement of Revenue and Expenses is as follows:

Balance sheet

Assets

a. Line 5	Cash	\$
b. Line 23	Totals	\$

Liabilities, Surplus and Other Funds

c. Line 18	Total Liabilities	\$
d. Line 26	Total Capital and Surplus	\$
e. Line 27	Total	\$

Statement of Revenue and Expenses

f. Line 2	Premiums	\$
g. Line 20	Increase in aggregate reserves for accident and health (current year less prior year)	\$
h. Line 29	Federal and foreign income taxes incurred	\$
i. Line 24	Net realized capital gains (losses)	\$
j. Line 30	Net Income	\$

5. Investments

A. Mortgage Loans including Mezzanine Real Estate Loans

For mortgage loans, disclose the following information:

	Current Year	Prior Year
4. As of year end, the Company held mortgages with interest more than 180 days past due with a recorded investment, excluding accrued interest	\$	\$
a. Total interest due on mortgages with interest more than 180 days past due	\$	\$
5. Taxes, assessments and any amounts advanced	\$	\$
6. Current year impaired loans with a related allowance	\$	\$
a. Related allowance for credit losses	\$	\$
7. Impaired mortgage loans without an allowance for	\$	\$
8. Average recorded investment in impaired loans	\$	\$
9. Interest income recognized during the period the loans were impaired	\$	\$
10. Amount of interest income recognized on a cash basis during the period the loans were impaired	\$	\$

NONE

B. Debt Restructuring

For restructured debt in which the company is a creditor, disclose the following:

1. The total recorded investment in restructured loans, as of year end	\$	\$
2. The realized capital losses related to these loans	\$	\$
3. Total contractual commitments to extend credit to debtors owning receivables whose terms have been modified in troubled debt restructurings	\$	\$
4. The Company accrues interest income on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest income on non performing loans is generally recognized on a cash basis.		
5. Allowance for credit losses:		
a. Balance at beginning of period	\$	\$
b. Additions charged to operations	\$	\$
c. Direct write-downs charged against the allowances	\$	\$
d. Recoveries of amounts previously charged off	\$	\$
e. Balance at end of period	\$	\$

9. Income Taxes

A. The components of the net deferred tax asset/ (liability) at December 31 are as follows:

	Current Year	Prior Year
1. Total of all deferred tax assets (admitted and nonadmitted)	\$	\$
2. Total of all deferred tax liabilities	\$	\$
3. Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	\$	\$
4. Total of all deferred tax assets (line 1 minus Line 2 minus Line 3, no less than zero)	\$	\$
5. Increase (decrease) in deferred tax assets nonadmitted	\$	\$

E. 2. The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net loses:

a. 2002	\$
b. 2001	\$
c. 2000	\$

NOTES TO FINANCIAL STATEMENTS (Continued)
(Electronic Filing Only)

10. Information Concerning Parent , Subsidiaries and Affiliates

E. Indicate the amount of any guarantees or undertakings , written or otherwise , for the benefit of an affiliate or related party that result in a material contingent exposure of the reporting entity's or any related party's assets or liabilities: \$

12. Retirement Plans , Deferred Compensation , Post-employment Benefits and Compensated Absences and Other Post-retirement Benefit Plans

A. Defined Benefit Plan

A summary of assets , obligations and assumptions of tl

1. Change in benefit obligation

	Other Benefits			
	urrent Year		Prior Year	
a. Benefit obligation at beginning of year				\$
b. Service cost				\$
c. Interest cost				\$
d. Contribution by plan participants	\$	\$	\$	\$
e. Actuarial gain (loss)	\$	\$	\$	\$
f. Foreign currency exchange rate changes	\$	\$	\$	\$
g. Benefits paid	\$	\$	\$	\$
h. Plan amendments	\$	\$	\$	\$
i. Business combinations , divestitures , curtailments , settlements and special termination benefits	\$	\$	\$	\$
j. Benefit obligation at end of year	\$	\$	\$	\$

2. Change in plan assets

a. Fair value of plan assets at beginning of year	\$	\$	\$	\$
b. Actual return on plan assets	\$	\$	\$	\$
c. Foreign currency exchange rate changes	\$	\$	\$	\$
d. Employer contribution	\$	\$	\$	\$
e. Plan participants' contributions	\$	\$	\$	\$
f. Benefits paid	\$	\$	\$	\$
g. Business combinations , divestitures and settlements	\$	\$	\$	\$
h. Fair value of plan assets at end of year	\$	\$	\$	\$

NOTES TO FINANCIAL STATEMENTS (Continued)
(Electronic Filing Only)

12. Retirement Plans , Deferred Compensation , Post-employment Benefits and Compensated Absences and Other Post-retirement Benefit Plans

A. Defined Benefit Plan (Continued)

3. Funded status

	Pension Benefits		Other Benefits	
	Current Year	Prior Year	Current Year	Prior Year
a. Unamortized prior service cost	\$	\$	\$	\$
b. Unrecognized net gain or (loss)	\$	\$	\$	\$
c. Remaining net obligation or net asset at initial date of application	\$	\$	\$	\$
d. Prepaid assets or accrued liabilities	\$	\$	\$	\$
e. Intangible asset	\$	\$	\$	\$
4. Benefit obligation for non vested employees	\$	\$	\$	\$

5. Components of net periodic benefit cost

a. Service cost	\$	\$	\$	\$
b. Interest cost	\$	\$	\$	\$
c. Expected return on plan assets	\$	\$	\$	\$
d. Amortization of unrecognized transition obligation or transition asset	\$	\$	\$	\$
e. Amount of recognized gains and losses	\$	\$	\$	\$
f. Amount of prior service cost recognized	\$	\$	\$	\$
g. Amount of gain or loss recognized due to a settlement or curtailment	\$	\$	\$	\$
h. Total net periodic benefit cost	\$	\$	\$	\$

7. Weighted average assumption as of December 31

a. Discount rate	.....	.....	.....	.....
b. Rate of compensation increase	.....	.....	.....	.....
c. Expected long-term rate of return on plan assets	.....	.....	.....	.....

9. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans.
A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1 Percentage Point Increase	1 Percentage Point Decrease
a. Effect on total of service and interest cost components	\$	\$
b. Effect on post-retirement benefit obligation	\$	\$

13. Capital and Surplus, Shareholders' Dividend Restrictions ar

9. The portion of unassigned funds (surplus) represent

- a. Unrealized gains and losses:
b. Nonadmitted asset values:
c. Separate account business:
d. Asset valuation reserves:
e. Provision for reinsurance:

NONE

\$

14. Contingencies

A. 1. Total contingent liabilities: \$

15. Leases

A. Disclose the following items related to lessee leasing arrangements (refer to SSAP No. 22, Leases):

2. For leases having initial or remaining noncancelable lease terms in excess of one year:

a. At January 1, of said year, the minimum aggregate rental commitments are as follows:
(Dollars in thousands)

Year Ending December 31	Operating Leases
1.....	\$
2.....	\$
3.....	\$
4.....	\$
5.....	\$
6.....	\$

B. When leasing is a significant part of the lessor's business activities in terms of revenue , net income, or assets, disclose the following information with respect to leases:

1. Lessor Leases:

c. Future minimum lease payment receivables under noncancelable leasing arrangements as of December 31, of said year are as follows:

Year Ending December 31	Operating Leases
1.....	\$
2.....	\$
3.....	\$
4.....	\$
5.....	\$
6.....	\$
7. Net minimum future lease receipts	\$

2. Leveraged Leases:

b. The Company's investment in leveraged leases relates to equipment used primarily in the transportation industries. The component of net income from leveraged leases at December 31, of said year were as shown below:

	Current Year	Prior Year
(In thousands)		
1. Income from leveraged leases before income tax including investment tax credit	\$	\$
2. Less current income tax	\$	\$
3. Net income from leverage leases	\$	\$

NOTES TO FINANCIAL STATEMENTS (Continued)
(Electronic Filing Only)

15. Leases (Continued)

B. When leasing is a significant part of the lessor's business activities in terms of revenue, net income, or assets, disclose the following information with respect to leases:

2. Leveraged Leases:

c. The components of the investment in leveraged leases at December 31, of said year were as shown below:
(In thousands)

	Current Year	Prior Year
1. Lease contracts receivable (net of principal and interest on non-recourse financing)	\$	\$
2. Estimated residual value of leased assets	\$	\$
3. Unearned and deferred income	\$	\$
4. Investment in leveraged leases	\$	\$
5. Deferred income taxes related to leveraged leases	\$	\$
6. Net investment in leveraged leases	\$	\$

16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk.

For financial instruments with off-balance risk, an insurer shall disclose in the financial statements the following information by class of financial instrument:

1. The table below summarizes the face amount of the Company's financial instruments with off-balance sheet risk:

	Assets		Liabilities	
	Current Year	Prior Year	Current Year	Prior Year
a. Swaps	\$	\$	\$	\$
b. Futures	\$	\$	\$	\$
c. Options	\$	\$	\$	\$
d. Total	\$	\$	\$	\$

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

C. Wash Sales

2. The details by NAIC designation 3 or below of securities sold during the first quarter ended March 31, of said year, and reacquired within 30 days of the sale date are:

Bonds:	Number of Transactions	Book Value of Securities Sold	Cost of Securities Repurchased	Gain/ (Loss)
a. NAIC 3	\$	\$	\$	\$
b. NAIC 4	\$	\$	\$	\$
c. NAIC 5	\$	\$	\$	\$
d. NAIC 6	\$	\$	\$	\$

Preferred Stock:

e. NAIC P/RP3	\$	\$	\$	\$
f. NAIC P/RP4	\$	\$	\$	\$
g. NAIC P/RP5	\$	\$	\$	\$
h. NAIC P/RP6	\$	\$	\$	\$

18. Gain or Loss to the Reporting Entity from Uninsured Accidents

A. ASO Plans:

The gain from operations from Administrative Services (portion of partially insured plans was as follows during said year:

NONE

2
Uninsured Portion
of Partially
Insured Plans

3
Total ASO

a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$	\$	\$
b. Total net other income or expenses (including interest paid to or received from plans)	\$	\$	\$
c. Net gain or (loss) from operations	\$	\$	\$
d. Total claim payment volume	\$	\$	\$

B. ASC Plans

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during said year:

	1 ASC Uninsured Plans	2 Uninsured Portion of Partially Insured Plans	3 Total ASC
a. Gross reimbursement for medical cost incurred	\$	\$	\$
b. Gross administrative fees accrued	\$	\$	\$
c. Other income or expenses (including interest paid to or received from plans)	\$	\$	\$
d. Gross expenses incurred (claims and administrative)	\$	\$	\$
e. Total net gain or loss from operations	\$	\$	\$

22. C. Reinsurance Assumed and Ceded

1.	ASSUMED REINSURANCE		CEDED REINSURANCE		NET	
	1 Premium Reserve	2 Commission Equity	3 Premium Reserve	4 Premium Reserve	5 Premium Reserve	6 Premium Reserve
a. Affiliates	\$	\$	\$	\$	\$	\$
b. All others	\$	\$	\$	\$	\$	\$
c. Total	\$	\$	\$	\$	\$	\$
d. Direct unearned premium reserve	\$					

*Line (c) of Column 5 plus Line (d) must equal Page 3, Line 9, Column 1.

2. The additional or return commission, predicated on loss experience or on any other form of profit sharing arrangements in this annual statement as a result of existing contractual arrangements are accrued as follows:

	REINSURANCE			
	1 Direct	2 Assumed	3 Ceded	4 Net
a. Contingent Commission	\$	\$	\$	\$
b. Sliding Scale Adjustments	\$	\$	\$	\$
c. Other Profit Commission Arrangements	\$	\$	\$	\$
d. Total	\$	\$	\$	\$

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Memphis Managed Care Corp .

NOTES TO FINANCIAL STATEMENTS - ITEM 1A

1	2	3
State Prescribed Practices	Current	Prior

NONE

NOTES TO FINANCIAL STATEMENTS - ITEM 9C

1	2	3
Current Income Taxes Incurred consist of the following major components	Current Year	Prior Year

NONE

1	2	3	4	5
The main components of the current year deferred tax amounts are as follows	Statutory	Tax	Difference	Tax Effect

NONE

1	2	3	4
The changes in main components of DTAs and DTLs are as follows	Current Year	Prior Year	Change

NONE

NOTES TO FINANCIAL STATEMENTS - ITEM 9D

1	2	3
Among the more significant book to tax adjustments were the following	Amount	Tax Effect

NONE

NOTES TO FINANCIAL STATEMENTS - ITEM 13.10

	1	2	3	4	5	6	7	8
Description of Assets, Holder of Note and Other	Date Issued	Interest Rate	Par Value (Face Amount of Notes)	Carrying Value of Note	Principal and/or Interest Paid Current Year	Total Principal and/or Interest Paid	Unapproved Principal and/or Interest	Date of Maturity

NONE

NOTES TO FINANCIAL STATEMENTS - ITEM 13.11

Year (Starting with Current Year)	Change in Year Surplus	Change in Gross Paid-in and Contributed Surplus
--------------------------------------	------------------------	---

NONE

NOTES TO FINANCIAL STATEMENTS - ITEM 19

Name and Address of Managing General Agent or Third Party Administrator	FEIN Number	Exclusive Contract	Types of Business Written	Type of Authority Granted	Total Direct Premiums Written/ Produced By
---	-------------	--------------------	---------------------------	---------------------------	--

NONE

NOTES TO FINANCIAL STATEMENTS - ITEM 22B

Name of Reinsurer	Total Amount in Dispute (Including IBNR)	Notification	Arbitration	Litigation
-------------------	--	--------------	-------------	------------

NONE

NOTES TO FINANCIAL STATEMENTS - ITEM 22D and 22E

Name of Reinsurer	Amount
-------------------	--------

NONE

NOTES TO FINANCIAL STATEMENTS - ITEM 22F01A1 through 22F1E

1	2	3
Company	Assumed Amount	Ceded Amount

NONE

* Total amounts must agree with totals in 22F1A4. Include the NAIC Company Code or Alien Insurer Identification Number for each insurer listed.

NOTES TO FINANCIAL STATEMENTS - ITEM 22F1F

1	2	3
Company	Total Paid/Loss/LAE Recoverable	Amount Over 90 Days Overdue

NONE

* Total amounts must agree with totals in 22F1A4. Include the NAIC Company Code or Alien Insurer Identification Number for each insurer listed.

NOTES TO FINANCIAL STATEMENTS - ITEM 22F2F

1	2	3	4
Company	Total Paid/Loss/LAE Recoverables	Amount Over 90 Days Overdue	Collateral Held

NONE

* Total amounts must agree with totals in 22F1A4. Include the NAIC Company Code or Alien Insurer Identification Number for each insurer listed.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	2,613,127	20.200	2,613,127	20.200
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA				
1.512 Issued by FNMA and FHLMC				
1.513 Privately issued				
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC				
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC				
1.523 All other privately issued				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)				
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publically traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (includes \$ of property acquired in satisfaction of debt)				
5.3 Property held for sale (\$ including property acquired in satisfaction of debt)				
6. Policy loans				
7. Receivables for securities				
8. Cash and short-term investments	10,323,018	79.800	10,323,018	79.800
9. Other invested assets				
10. Total invested assets	12,936,145	100.000	12,936,145	100.000

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes () No (X)
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner , Director or Superintendent , or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto , or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes () No () N/A (X)
- 1.3

State Regulating?

Tennessee
- 2.1

Has any change been made during the year of this statement in the charter , by-laws, articles of incorporation , or deed of settlement of the reporting entity?

Yes () No (X)
- 2.2

If yes, date of change:
If not previously filed , furnish herewith a certified copy of the instrument as amended.

.....
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made:

07/20/2001
- 3.2

State the as of date of the latest financial examination report became available from either the state of domicile or the reporting entity . This date should be the date of the examined balance sheet and not the date the report was completed or released .

03/31/2001
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity . This is the release date or completion date of the examination report and not the date of the examination (balance sheet date) .

10/01/2002
- 3.4

By what department or departments?
TDCI
- 4.1

During the period covered by this statement , did any agent , broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

4.12 renewals?

Yes () No (X)

Yes () No (X)
- 4.2

During the period covered by this statement , did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

4.22 renewals?

Yes () No (X)

Yes () No (X)
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes () No (X)
- 5.2

If yes, provide name of the entity , NAIC Company Code , and state of domicile (use two letter state abbreviation) for any reporting entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....
.....
.....

- 6.1

Has the reporting entity had any Certificates of Authority , licenses or registrations (including corporate registration , if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action , either formal or informal, if a confidentiality clause is part of the agreement .)

Yes () No (X)
- 6.2

If yes, give full information:
.....
.....
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes () No (X)
- 7.2

If yes,

7.21 State the percentage of foreign control;

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the reporting entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g.; individual, corporation, government, manager or attorney-in-fact) .

..... %
- | 1
Nationality | 2
Type of Entity |
|------------------|---------------------|
| | |
| | |
| | |
- 27

Health

GENERAL INTERROGATORIES - Lines 5.2 (continued)

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
State the entities that ceased to exist as a result of the merger or consolidations		
05.2 - State the entities that ceased to exist as a result of the merger or consolidations		

GENERAL INTERROGATORIES - Lines 7.22 (continued)

1 Nationality	2 Type of Entity
------------------	---------------------

GENERAL INTERROGATORIES (continued)

8.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Watkins & Uberall
6584 Poplar Ave Suite 200, Memphis, Tn 38138
9.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Ernst & Young LLP
233 South Walker Drive, Chicago, IL 60606
10.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 10.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
.....
.....
- 10.2

Does this statement contain all business transacted for the reporting entity through its United States branch , on risks wherever located?

Yes () No ()
- 10.3

Have there been any changes made to any of the trust indentures during the year?

Yes () No ()
- 10.4

If answer to (10.3) is yes, has the domiciliary or entry state approved the changes?

Yes () No () N/A (X)

BOARD OF DIRECTORS

11.

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes (X) No ()
12.

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes (X) No ()
13.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees, or responsible employees which is in or is likely to conflict with the official duties of such person?

Yes () No (X)

FINANCIAL

- 14.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

14.11 To directors or other officers

\$

14.12 To stockholders not officers

\$

14.13 Trustees, supreme or grand (Fraternal only)

\$
- 14.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

14.21 To directors or other officers

\$

14.22 To stockholders not officers

\$

14.23 Trustees, supreme or grand (Fraternal only)

\$
- 15.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes () No (X)
- 15.2

If yes, state the amount thereof at December 31 of the current year:

15.21 Rented from others

\$

15.22 Borrowed from others

\$

15.23 Leased from others

\$

15.24 Other

\$

Disclose in Notes to Financial Statements the nature of each obligation.
- 16.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes () No (X)
- 16.2

If answer is yes:

16.21 Amount paid as losses or risk adjustment

\$

16.22 Amount paid as expenses

\$

16.23 Other amounts paid

\$

GENERAL INTERROGATORIES
(Continued)

INVESTMENT

17. List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price if Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred	Yes () No () X X X X X X	Yes () No () X X X X X X
Common	X X X		

18. 1 Were all the stocks, bonds and other securities owned December 31 of current year , over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 2 - Special Deposits? Yes (X) No ()

18. 2 If no, give full and complete information relating thereto:
.....
.....

19. 1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity , except as shown on the Schedule E - Part 2 - Special Deposits; or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15. 1) Yes () No (X)

19. 2 If yes, state the amount thereof at December 31 of the current year:

19. 21 Loaned to others

19. 22 Subject to repurchase agreements

19. 23 Subject to reverse repurchase agreements

19. 24 Subject to dollar repurchase agreements

19. 25 Subject to reverse dollar repurchase agreements

19. 26 Pledged as collateral

19. 27 Placed under option agreements

19. 28 Letter stock or securities restricted as to sale

19. 29 Other

\$

\$

\$

\$

\$

\$

\$

\$

\$

19. 3 For each category above, if any of these assets are held by other, identify by whom held:

19. 31

19. 32

19. 33

19. 34

19. 35

19. 36

19. 37

19. 38

19. 39

For categories (19. 21) and (19. 23) above, and for any securities that were made available for use by another person during the period covered by this statement , attach a schedule as shown in the instructions to the annual statement.

19. 4 For category (19. 28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....
.....

20. 1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes () No (X)

20. 2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes () No () N/A (X)
If no, attach a description with this statement.

21. 1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes () No (X)

21. 2 If yes, state the amount thereof at December 31 of the current year. \$

22. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes () No (X)

22. 01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
.....
.....
.....

GENERAL INTERROGATORIES - Lines 19.4 (continued)

1 Nature of Restriction	2 Description	3 Amount
----------------------------	------------------	-------------

GENERAL INTERROGATORIES - Lines 22.01 (continued)

1 Name of Custodian(s)	2 Custodian's Address
---------------------------	--------------------------

Agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook	
Amsouth Bank	6000 Poplar Ave Memphis Tn 38104
22.01 - Agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook	

GENERAL INTERROGATORIES (continued)

INVESTMENT

22.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....
.....
.....

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year? Yes () No ()

22.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....
.....
.....

22.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
.....	
.....	
.....	
.....	

NONE

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$

23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$
.....	\$
.....	\$
.....	\$

24.1 Amount of payments for legal expenses, if any? \$

24.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$
.....	\$
.....	\$
.....	\$

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$

25.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$
.....	\$
.....	\$
.....	\$

FIVE - YEAR HISTORICAL DATA

	1	2	3	4	5
	2002	2001	2000	1999	1998
BALANCE SHEET ITEMS (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23)	13,685,008	56,372,281	23,071,032	19,959,342	10,740,549
2. Total liabilities (Page 3, Line 18)	8,546,983	42,733,701	16,694,809	14,939,506	17,718,938
3. Statutory surplus					
4. Total capital and surplus (Page 3, Line 26)	5,138,028	13,638,584	6,376,225	5,019,836	(6,978,389)
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 7)	116,527,239	227,896,501	132,863,647	96,425,137	80,333,697
6. Total medical and hospital expenses (Line 17)	115,826,367	202,788,761	119,506,911	87,822,296	78,567,332
7. Total administrative expenses (Line 19)	3,344,259	18,507,972	10,993,801	9,852,851	9,560,438
8. Net underwriting gain (loss) (Line 22)	(3,225,638)	9,078,006	2,362,935	(1,250,280)	(7,794,073)
9. Net investment gain (loss) (Line 25)	1,108,039	1,496,619	1,252,057	527,826	577,888
10. Total other income (Line 26 plus Line 27)	456,078	180,526			
11. Net income or (loss) (Line 30)	(1,661,521)	10,755,151	3,614,992	(722,454)	(7,216,185)
RISK-BASED CAPITAL ANALYSIS					
12. Total adjusted capital		13,638,584	6,376,225	5,019,836	(6,978,839)
13. Authorized control level risk-based capital		10,501,710	4,890,693	3,902,735	3,629,485
ENROLLMENT (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	191,307	172,182	86,761	59,209	53,511
15. Total members months (Column 6, Line 7)	2,414,074	1,522,075	918,088	708,763	629,780
OPERATING PERCENTAGES (Page 4) (Item divided by Page 4, sum of Line 2, Line 3 and Line 5)					
16. Premiums earned (Line 2 plus Line 3)	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17)	99.4	100.0	100.0	100.0	100.0
18. Total underwriting deductions (Line 21)	102.8	0.9	1.0	1.0	1.0
19. Total underwriting gain (loss) (Line 22)	(2.8)	1.0	1.0	1.0	1.0
UNPAID CLAIMS ANALYSIS (U and I Exhibit, Part 2B)					
20. Total claims incurred for prior year (Line 11, Column 5)	45,065,170	13,821,920	12,229,912	15,134,357	11,430,712
21. Estimated liability of unpaid claims - prior year (Line 11, Column 6)	40,457,145	13,821,920	12,229,912	15,134,357	11,430,712

FIVE - YEAR HISTORICAL DATA (Continued)

	1	2	3	4	5
	2002	2001	2000	1999	1998
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
22. Affiliated bonds (Schedule D Summary, Line 25, Column 1)					
23. Affiliated preferred stocks (Schedule D Summary, Line 39, Column 1)					
24. Affiliated common stocks (Schedule D Summary, Line 53, Column 2)					
25. Affiliated short-term investment (subtotal included in Schedule DA, Part 2, Column 5, Line 11)					
26. Affiliated mortgage loans on real estate					
27. All other affiliated					
28. Total of above Line 22 to Line 27					



ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Memphis Managed Care Corp .

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

REPORT FOR: 1. CORPORATION

2. DIVISION

(LOCATION)

NAIC Group Code: 0000

NAIC Company Code: 00000

BUSINESS IN THE STATE OF TENNESSEE DURING THE YEAR 2002

	1 Total	Comprehensive (Hospital and Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefits Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		2 Individual	3 Group							
Total Members at end of:										
1. Prior Year	1,522,075								1,522,075	
2. First Quarter	210,593								210,593	
3. Second Quarter	207,173								207,173	
4. Third Quarter	206,394								206,394	
5. Current Year	191,307								191,307	
6. Current Year Member Months	2,414,074								2,414,074	
Total Member Ambulatory Encounters for Year:										
7. Physician	975,480								975,480	
8. Non-Physician	162,961								162,961	
9. Total	1,138,441								1,138,441	
10. Hospital Patient Days Incurred	101,770								101,770	
11. Number of Inpatient Admissions	30,861								30,861	
12. Premiums Collected	116,527,239								116,527,239	
13. Premiums Earned	116,527,239								116,527,239	
14. Amount Paid for Provision of Health Care Services	154,791,918								154,791,918	
15. Amount Incurred for Provision of Health Care Services	112,917,925								112,917,925	

SCHEDULE A - VERIFICATION BETWEEN YEARS

1.	Book/adjusted carrying value, December 31, prior year (prior year statement)	.....	_____
2.	Increase (decrease) by adjustment:		
2.1	Totals, Part 1, Column 10	.....	_____
2.2	Totals, Part 3, Column 7	.....	_____
3.	Cost of acquired, (Totals, Part 2, Column 6, net of encumbrances (Column 7) and net of additions and permanent improvements (Column 9)	.....	_____
4.	Cost of additions and permanent improvements:		
4.1	Totals, Part 1, Column 13	.....	_____
4.2	Totals, Part 3, Column 9	.....	_____
5.	Total profit (loss) on sales, Part 3, Column 14	.....	_____
6.	Increase (decrease) by foreign exchange adjustm		
6.1	Totals, Part 1, Column 11	.....	_____
6.2	Totals, Part 3, Column 8	.....	_____
7.	Amounts received on sales, Part 3, Column 11 and Part 1, Column 12	.....	_____
8.	Book/adjusted carrying value at end of current period	.....	_____
9.	Total valuation allowance	.....	_____
10.	Subtotal (Line 8 plus Line 9)	.....	_____
11.	Total nonadmitted amounts	.....	_____
12.	Statement value, current period (Page 2, real estate lines, current period)	.....	_____

NONE

SCHEDULE B - VERIFICATION BETWEEN YEARS

1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year	.....	_____
2.	Amount loaned during year:		
2.1	Actual cost at time of acquisitions	.....	_____
2.2	Additional investment made after acquisitions	.....	_____
3.	Accrual of discount and mortgage interest points a		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the year		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period	.....	_____
10.	Total valuation allowance	.....	_____
11.	Subtotal (Line 9 plus Line 10)	.....	_____
12.	Total nonadmitted amounts	.....	_____
13.	Statement value of mortgages owned at end of current period	.....	_____

NONE

SCHEDULE BA - VERIFICATION BETWEEN YEARS

1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year	.....	_____
2.	Cost of acquisitions during year:		
2.1	Actual cost at time of acquisitions	.....	_____
2.2	Additional investment made after acquisitions	.....	_____
3.	Accrual of discount		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the year		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book/adjusted carrying value of long-term invested assets at end of current period	.....	_____
10.	Total valuation allowance	.....	_____
11.	Subtotal (Line 9 plus Line 10)	.....	_____
12.	Total nonadmitted amounts	.....	_____
13.	Statement value of long-term invested assets at end of current period	.....	_____

NONE

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book /Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	2,409,711	2,409,711	2,420,609	2,400,000
	2. Canada				
	3. Other Countries				
	4. Totals	2,409,711	2,409,711	2,420,609	2,400,000
States , Territories and Possessions (Direct and guaranteed)	5. United States	203,414	203,414	206,556	200,000
	6. Canada				
	7. Other Countries				
	8. Totals	203,414	203,414	206,556	200,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States				
	14. Canada				
	15. Other Countries				
	16. Totals				
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States				
	22. Canada				
	23. Other Countries				
	24. Totals				
Parent , Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	2,613,125	2,613,125	2,627,165	2,600,000
PREFERRED STOCKS					
Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS					
Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals				
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks				
	55. Total Stocks				
	56. Total Bonds and Stocks	2,613,125	2,613,125	2,627,165	

(a) The aggregate value of bonds which are valued at other than actual fair value is \$

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks , prior year	2,029,028	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired , Column 6, Part 3	15,628,535	6.1 Column 17, Part 1	
3. Increase (decreased) by adjustment:		6.2 Column 13, Part 2, Section 1	
3.1 Column 16, Part 1		6.3 Column 11, Part 2, Section 2	
3.2 Column 12, Part 2, Section 1		6.4 Column 11, Part 4	
3.3 Column 10, Part 2, Section 2		7. Book/adjusted carrying value at end of current period	2,613,127
3.4 Column 10, Part 4	(20,882)	8. Total valuation allowance	
4. Total gain (loss) , Column 14, Part 4	102,681	9. Subtotal (Line 7 plus Line 8)	2,613,127
5. Deduct consideration for bonds and stocks disposed of Column 6 , Part 4	15,126,235	10. Total nonadmitted amounts	
		11. Statement value of bonds and stocks , current period	2,613,127

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31 , at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1. U.S. Governments, Schedules D and DA (Group 1)											
1.1 Class 1		2,613,127				2,613,127	100.0	2,029,028		2,613,127	
1.2 Class 2											
1.3 Class 3											
1.4 Class 4											
1.5 Class 5											
1.6 Class 6											
1.7 Totals		2,613,127				2,613,127	100.0	2,029,028		2,613,127	
2. All Other Governments, Schedules D and DA (Group 2)											
2.1 Class 1											
2.2 Class 2											
2.3 Class 3											
2.4 Class 4											
2.5 Class 5											
2.6 Class 6											
2.7 Totals											
3. States, Territories and Possessions etc. , Guaranteed, Schedules D and DA (Group 3)											
3.1 Class 1											
3.2 Class 2											
3.3 Class 3											
3.4 Class 4											
3.5 Class 5											
3.6 Class 6											
3.7 Totals											
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D and DA (Group 4)											
4.1 Class 1											
4.2 Class 2											
4.3 Class 3											
4.4 Class 4											
4.5 Class 5											
4.6 Class 6											
4.7 Totals											
5. Special Revenue and Special Assessment Obligations etc. , Non-Guaranteed, Schedules D and DA (Group 5)											
5.1 Class 1											
5.2 Class 2											
5.3 Class 3											
5.4 Class 4											
5.5 Class 5											
5.6 Class 6											
5.7 Totals											

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Memphis Managed Care Corp .

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31 , at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6. Public Utilities (Unaffiliated) , Schedules D and DA (Group 6)											
6.1 Class 1											
6.2 Class 2											
6.3 Class 3											
6.4 Class 4											
6.5 Class 5											
6.6 Class 6											
6.7 Totals											
7. Industrial and Miscellaneous (Unaffiliated) , Schedules D and DA (Group 7)											
7.1 Class 1											
7.2 Class 2											
7.3 Class 3											
7.4 Class 4											
7.5 Class 5											
7.6 Class 6											
7.7 Totals											
8. Credit Tenant Loans, Schedules D and DA (Group 8)											
8.1 Class 1											
8.2 Class 2											
8.3 Class 3											
8.4 Class 4											
8.5 Class 5											
8.6 Class 6											
8.7 Totals											
9. Parent, Subsidiaries and Affiliates, Schedules D and DA (Group 9)											
9.1 Class 1											
9.2 Class 2											
9.3 Class 3											
9.4 Class 4											
9.5 Class 5											
9.6 Class 6											
9.7 Totals											

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Memphis Managed Care Corp .

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31 , at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10. 7	8 Total from Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
10. Total Bonds Current Year											
10.1 Class 1		2,613,127				2,613,127	100.0	XXX	XXX	2,613,127	
10.2 Class 2								XXX	XXX		
10.3 Class 3								XXX	XXX		
10.4 Class 4								XXX	XXX		
10.5 Class 5								XXX	XXX		
10.6 Class 6						(c)		XXX	XXX		
10.7 Totals		2,613,127				(b) 2,613,127	100.0	XXX	XXX	2,613,127	
10.8 Line 10.7 as a % of Column 6		100.0				100.0	XXX	XXX	XXX	100.0	
11. Total Bonds Prior Year											
11.1 Class 1	99,916	1,929,112				XXX	XXX	2,029,028		2,029,028	
11.2 Class 2						XXX	XXX				
11.3 Class 3						XXX	XXX				
11.4 Class 4						XXX	XXX				
11.5 Class 5						XXX	XXX	(c)			
11.6 Class 6						XXX	XXX	(c)			
11.7 Totals	99,916	1,929,112				XXX	XXX	(b) 2,029,028		2,029,028	
11.8 Line 11.7 as a % of Column 8	4.9	95.1				XXX	XXX		XXX	100.0	
12. Total Publicly Traded Bonds											
12.1 Class 1		2,613,127				2,613,127	100.0	2,029,028		2,613,127	XXX
12.2 Class 2											XXX
12.3 Class 3											XXX
12.4 Class 4											XXX
12.5 Class 5											XXX
12.6 Class 6											XXX
12.7 Totals		2,613,127				2,613,127	100.0	2,029,028		2,613,127	XXX
12.8 Line 12.7 as a % of Column 6		100.0				100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Column 6, Section 10		100.0				100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds											
13.1 Class 1										XXX	
13.2 Class 2										XXX	
13.3 Class 3										XXX	
13.4 Class 4										XXX	
13.5 Class 5										XXX	
13.6 Class 6										XXX	
13.7 Totals										XXX	
13.8 Line 13.7 as a % of Column 6							XXX	XXX	XXX	XXX	
13.9 Line 13.7 as a % of Line 10.7, Column 6, Section 10							XXX	XXX	XXX	XXX	

(a) Includes \$ freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.

(b) Includes \$ current year , \$ prior year of bonds with Z designations and \$ current year , \$ prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.

(c) Includes \$ current year , \$ prior year of bonds with 5* designations and \$ current year , \$ prior year of bonds with 6* designations. "5*" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31 , At Statement Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
1. U.S. Governments, Schedules D and DA (Group 1)											
1.1 Issuer Obligations		2,613,127				2,613,127	100.0	2,029,028	100.0	2,613,127	
1.2 Single Class Mortgage-Backed/Asset-Backed Securities											
1.7 Totals		2,613,127				2,613,127	100.0	2,029,028		2,613,127	
2. All Other Governments, Schedules D and DA (Group 2)											
2.1 Issuer Obligations											
2.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
2.3 Defined											
2.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
2.5 Defined											
2.6 Other											
2.7 Totals											
3. States, Territories and Possessions, Guaranteed, Schedules D and DA (Group 3)											
3.1 Issuer Obligations											
3.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
3.3 Defined											
3.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
3.5 Defined											
3.6 Other											
3.7 Totals											
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D and DA (Group 4)											
4.1 Issuer Obligations											
4.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
4.3 Defined											
4.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
4.5 Defined											
4.6 Other											
4.7 Totals											
5. Special Revenue and Special Assessment Obligations etc. , Non-Guaranteed, Schedules D and DA (Group 5)											
5.1 Issuer Obligations											
5.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
5.3 Defined											
5.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
5.5 Defined											
5.6 Other											
5.7 Totals											

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31 , At Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10. 7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
6. Public Utilities (Unaffiliated) , Schedules D and DA (Group 6)											
6.1 Issuer Obligations											
6.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
6.3 Defined											
6.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
6.5 Defined											
6.6 Other											
6.7 Totals											
7. Industrial and Miscellaneous (Unaffiliated) , Schedules D and DA (Group 7)											
7.1 Issuer Obligations											
7.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
7.3 Defined											
7.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
7.5 Defined											
7.6 Other											
7.7 Totals											
8. Credit Tenant Loans, Schedules D and DA (Group 8)											
8.1 Issuer Obligations											
8.7 Totals											
9. Parent, Subsidiaries and Affiliates, Schedules D and DA (Group 9)											
9.1 Issuer Obligations											
9.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
9.3 Defined											
9.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
9.5 Defined											
9.6 Other											
9.7 Totals											

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31 , At Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
10. Total Bonds Current Year											
10.1 Issuer Obligations		2,613,127				2,613,127	100.0	XXX	XXX	2,613,127	
10.2 Single Class Mortgage-Backed/Asset-Backed Bonds								XXX	XXX		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
10.3 Defined								XXX	XXX		
10.4 Other								XXX	XXX		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
10.5 Defined								XXX	XXX		
10.6 Other								XXX	XXX		
10.7 Totals		2,613,127				2,613,127	100.0	XXX	XXX	2,613,127	
10.8 Line 10.7 as a % of Column 6		100.0				100.0	XXX	XXX	XXX	100.0	
11. Total Bonds Prior Year											
11.1 Issuer Obligations						XXX	XXX				
11.2 Single Class Mortgage-Backed/Asset-Backed Bonds						XXX	XXX				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
11.3 Defined						XXX	XXX				
11.4 Other						XXX	XXX				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
11.5 Defined						XXX	XXX				
11.6 Other						XXX	XXX				
11.7 Totals						XXX	XXX				
11.8 Line 11.7 as a % of Column 8						XXX	XXX		XXX		
12. Total Publicly Traded Bonds											
12.1 Issuer Obligations										2,613,127	XXX
12.2 Single Class Mortgage-Backed/Asset-Backed Bonds											XXX
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
12.3 Defined											XXX
12.4 Other											XXX
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
12.5 Defined											XXX
12.6 Other											XXX
12.7 Totals										2,613,127	XXX
12.8 Line 12.7 as a % of Column 6							XXX	XXX	XXX		XXX
12.9 Line 12.7 as a % of Line 10.7, Column 6, Section 10							XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds											
13.1 Issuer Obligations										XXX	
13.2 Single Class Mortgage-Backed/Asset-Backed Bonds										XXX	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
13.3 Defined										XXX	
13.4 Other										XXX	
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
13.5 Defined										XXX	
13.6 Other										XXX	
13.7 Totals										XXX	
13.8 Line 13.7 as a % of Column 6							XXX	XXX	XXX	XXX	
13.9 Line 13.7 as a % of Line 10.7, Column 6, Section 10							XXX	XXX	XXX	XXX	

SCHEDULE DA - PART 2

Verification of SHORT-TERM INVESTMENTS Between Years

	1	2	3	4	5
	Total	Bonds	Mortgage Loans	Other Short-term Investment Asset (a)	Investments in Parent Subsidiaries and Affiliates
1. Book/adjusted carrying value, prior year					
2. Cost of short-term investments acquired					
3. Increase (decrease) by adjustment					
4. Increase (decrease) by foreign exchange adjustment					
5. Total profit (loss) on disposal of short-term investments					
6. Consideration received on disposal of short-term investments					
7. Book/adjusted carrying value, current year					
8. Total valuation allowance					
9. Subtotal (Line 7 plus Line 8)					
10. Total nonadmitted amounts					
11. Statement value (Line 9 minus Line 10)					
12. Income collected during year					
13. Income earned during year					

(a) Indicate the category of such assets, for example, joint ventures, transportation equipment:

NONE

SCHEDULE DB - PART A - VERIFICATION BETWEEN YEARS

Verification Between Years of Aggregate Write-in Book Value on Options, Caps, Floors
and Insurance Futures Options Owned

1.	Aggregate write-in book value, December 31, prior year (Line 8, prior year)	.....	.....
2.	Cost/Option Premium (Section 2, Column 7)	.....	.....
3.	Increase/(Decrease) by Adjustment (Section 1, Column 12) plus (Section 3, Column 13)	.....	.....
4.	Gain/ (Loss) on Termination:		
4.1	Recognized (Section 3, Column 14)	.....	.....
4.2	Used to Adjust Basis of Hedged Item (Secti	.....	.....
5.	Consideration received on terminations (Section 3, Column 15)	.....	.....
6.	Used to Adjust Basis on Open Contracts (Section 3, Column 16)	.....	.....
7.	Disposition of deferred amount on contracts terminated in prior year:		
7.1	Recognized	.....	.....
7.2	Used to Adjust Basis of Hedged Item	.....	.....
8.	Aggregate write-in book value, December 31, Current Year (Line 1 plus Line 2 plus Line 3 plus Line 4 minus Line 5 minus Line 6 minus Line 7)	.....	=====

NONE

SCHEDULE DB - PART B - VERIFICATION BETWEEN YEARS

Verification Between Years of Aggregate Write-in Book Value on Options, Caps, Floors
and Insurance Futures Options Written

1.	Aggregate write-in book value, December 31, prior year (Line 8, prior year)	.....	.....
2.	Consideration received (Section 2, Column 7)	.....	.....
3.	Increase/(Decrease) by Adjustment (Section 1, Column 12) plus (Section 3, Column 13)	.....	.....
4.	Gain/ (Loss) on Termination:		
4.1	Recognized (Section 3, Column 14)	.....	.....
4.2	Used to Adjust Basis (Section 3, Column 15)	.....	.....
5.	Consideration paid on terminations (Section 3, Column 16)	.....	.....
6.	Used to Adjust Basis on Open Contracts (Section 3, Column 17)	.....	.....
7.	Disposition of deferred amount on contracts terminated in prior year:		
7.1	Recognized	.....	.....
7.2	Used to Adjust Basis	.....	.....
8.	Aggregate write-in book value, December 31, Current Year (Line 1 plus Line 2 plus Line 3 minus Line 4 minus Line 5 minus Line 6 minus Line 7)	.....	=====

NONE

SCHEDULE DB - PART C - VERIFICATION BETWEEN YEARS

Verification Between Years of Aggregate Write-in Book Value on Swaps and Forwards

1.	Aggregate write-in book value, December 31, prior year (Line 8, prior year)		
2.	Cost or (Consideration Received) (Section 2, Column 7)		
3.	Increase/ (Decrease) by Adjustment (Section 1,		
4.	Gain/ (Loss) on Termination:		
4.1	Recognized (Section 3, Column 14)		
4.2	Used to Adjust Basis of Hedged Item (Se		
5.	Consideration received (or paid) on terminations		
6.	Used to Adjust Basis on Hedged Item on Open Contracts (Section 1, Column 13)		
7.	Disposition of deferred amount on contracts terminated in prior year:		
7.1	Recognized		
7.2	Used to Adjust Basis of Hedged Item		
8.	Aggregate write-in book value, December 31, Current Year (Line 1 plus Line 2 plus Line 3 plus Line 4 minus Line 5 minus Line 6 minus Line 7)		

NONE

SCHEDULE DB - PART D - VERIFICATION BETWEEN YEARS

Verification Between Years of Aggregate Write-in Book Value on Futures Contracts and Insurance Futures Contracts

1.	Aggregate write-in book value, December 31, prior year (Line 8, prior year)		
2.	Change in total Variation Margin on Open Contracts (Difference between years-Section 1, Column 6)		
3.1	Change in Variation Margin on Open Contracts Used to Adjust Basis of hedged Item (Section 1, Column 11)		
3.2	Change in Variation Margin on Open Contracts recognized (Difference between years-Section 1, Column 10)		
4.1	Variation Margin on Contracts Terminated During		
4.2	Less:		
4.21	Gain/ (Loss) Recognized in Current Year		
4.22	Gain/ (Loss) Used to Adjust Basis of Her		
4.3	Subtotal (Line 4.1 minus Line 4.2)		
5.1	Net Additions to Cash Deposits (Section 2, Column 7)		
5.2	Less: Net Reductions to Cash Deposits (Section 3, Column 9)		
6.	Subtotal (Line 1 minus Line 2 plus Line 3.1 plus Line 3.2 minus Line 4.3 plus Line 5.2)		
7.	Disposition of Gain/ (Loss) on contracts terminated in prior year:		
7.1	Recognized		
7.2	Used to Adjust Basis of Hedged Item		
8.	Aggregate write-in book value, December 31, Current Year (Line 6 plus Line 7.1 plus Line 7.2)		

NONE

SCHEDULE DB - PART E - VERIFICATION

Verification of Statement Value and Fair Value of Open Contracts

			Statement Value
1.	Part A, Section 1, Column 10		
2.	Part B, Section 1, Column 10		
3.	Part C, Section 1, Column 10		
4.	Part D, Section 1, Column 9 minus Column 12		
5.	Line 1 minus Line 2 plus Line 3 plus Line 4		
6.	Part E, Section 1, Column 4		
7.	Part E, Section 1, Column 5		
8.	Line 5 minus Line 6 minus Line 7		
			Fair Value
9.	Part A, Section 1, Column 11		
10.	Part B, Section 1, Column 11		
11.	Part C, Section 1, Column 11		
12.	Part D, Section 1, Column 9		
13.	Line 9 minus Line 10 plus Line 11 plus Line 12		
14.	Part E, Section 1, Column 7		
15.	Part E, Section 1, Column 8		
16.	Line 13 minus Line 14 minus Line 15		

NONE

SCHEDULE DB - PART F - SECTION 1

Summary of Replicated (Synthetic) Assets Open

Replicated (Synthetic) Asset					Components of the Replicated (Synthetic) Asset						
1	2	3	4	5	Derivative Instruments Open		Cash Instrument(s) Held				
Replication RSAT Number	Description	NAIC Designation or Other Description	Statement Value	Fair Value	6	7	8	9	10	11	12
					Description	Fair Value	CUSIP	Description	Statement Value	Fair Value	NAIC Designation or Other Description

NONE

SCHEDULE DB - PART F - SECTION 2

Reconciliation of Replicated (Synthetic) Assets Open

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year-To-Date	
	1	2	3	4	5	6	7	8	9	10
	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value
1. Beginning Inventory										
2. Add: Opened or Acquired Transactions										
3. Add: Increases in Replicated Asset Statement Value	X X X	NONE					X X X		X X X	
4. Less: Closed or Disposed of Transactions										
5. Less: Positions Disposed of for Failing Effectiveness Criteria										
6. Less: Decreases in Replicated (Synthetic) Asset Statement Value	X X X						X X X		X X X	
7. Ending Inventory										

SCHEDULE S - PART 1 - SECTION 2

Reinsurance Assumed Accident and Health Insurance Listed by Reinsured Company as of December 31 , Current Year

1	2	3	4	5	6	7	8	9	10	11	12
NAIC Company Code	Federal ID Number	Effective Date	Name of Reinsured	Location	Type of Reinsurance Assumed	Premiums	Unearned Premiums	Reserve Liability Other Than for Unearned Premiums	Reinsurance Payable on Paid and Unpaid Losses	Modified Coinsurance Reserve	Funds Withheld Under Coinsurance

NONE

SCHEDULE S - PART 2

Reinsurance Recoverable on Paid and Unpaid Losses Listed by Reinsuring Company as of December 31, Current Year

1	2	3	4	5	6	7
NAIC Company Code	Federal ID Number	Effective Date	Name of Company	Location	Paid Losses	Unpaid Losses
Accident and Health, Non-affiliates						
		07/01/2002	Executive Risk Indemnity Inc	Sinsbury, Ct	123,077	
0599999 - TOTAL - Accident and Health, Non-affiliates					123,077	
0699999 - TOTAL - Accident and Health					123,077	
0799999 - GRAND TOTAL - Life, Annuity and Accident and Health					123,077	

SCHEDULE S - PART 3 - SECTION 2

Reinsurance Ceded Accident and Health Insurance Listed by Reinsuring Company as of December 31 , Current Year

1 NAIC Company Code	2 Federal ID Number	3 Effective Date	4 Name of Company	5 Location	6 Type	7 Premiums	8 Unearned Premiums (estimated)	9 Reserve Credit Taken Other than for Unearned Premiums	Outstanding Surplus Relief		12 Modified Coinsurance Reserve	13 Funds Withheld Under Coinsurance
									10 Current Year	11 Prior Year		
Non-Affiliates												
		07/01/2002	Executive Risk indemnity Inc	Simsbury, CT	SSL/L	2,697,370						
0299999 - TOTAL - Non-Affiliates						2,697,370						
0399999 - GRAND TOTAL						2,697,370						

SCHEDULE S - PART 4

Reinsurance Ceded To Unauthorized Companies

1	2	3	4	5	6	7	8	9	10	11	12	13	14
NAIC Company Code	Federal ID Number	Effective Date	Name of Reinsurer	Reserve Credit Taken	Paid and Unpaid Losses Recoverable (Debit)	Other Debits	Total (Columns 5 plus 6 plus 7)	Letters of Credit	Trust Agreements	Funds Deposited by and Withheld from Reinsurers	Other	Miscellaneous Balances (Credit)	Sum of Columns 9 plus 10 plus 11 plus 12 plus 13 But Not in Excess of Column 8

NONE

SCHEDULES S - PART 5

Five-Year Exhibit of Reinsurance Ceded Business
(000 Omitted)

	1 2002	2 2001	3 2000	4 1999	5 1998
A. OPERATIONS ITEMS					
1. Premiums					
2. Title XVIII - Medicare					
3. Title XIX - Medicaid	2,697	2,366	2,098	1,220	1,289
4. Commissions and reinsurance expense allowance					
5. Total medical and hospital expenses	215	2,478	2,589	712	1,099
B. BALANCE SHEET ITEMS					
6. Premiums receivable					
7. Claims payable					
8. Reinsurance recoverable on paid losses	123	217	1,195	20	409
9. Experience rating refunds due or unpaid					
10. Commissions and reinsurance expense allowances unpaid					
11. Unauthorized reinsurance offset					
C. UNAUTHORIZED REINSURANCE (DEPOSITS BY AND FUNDS WITHHELD FROM)					
12. Funds deposited by and withheld from (F)					
13. Letters of credit (L)					
14. Trust agreements (T)					
15. Other (O)					

SCHEDULE S - PART 6

Restatement of Balance Sheet to Identify Net Credit for Ceded Reinsurance

	1 As Reported (net of ceded)	2 Restatement Adjustments	3 Restated (gross of ceded)
ASSETS (Page 2, Column 3)			
1. Cash and invested assets (Line 9)	12,931,275		12,931,275
2. Amounts recoverable from reinsurers (Line 12)	123,077		123,077
3. Accident and health premiums due and unpaid (Line 10)			
4. Net credit for ceded reinsurance	X X X		
5. All other admitted assets (Balance)	630,656		630,656
6. Total assets (Line 23)	13,685,008		13,685,008
LIABILITIES, CAPITAL AND SURPLUS (Page 3)			
7. Claims unpaid (Line 1)	3,113,636		3,113,636
8. Accrued medical incentive pool and bonus payments (Line 2)			
9. Premiums received in advance (Line 6)			
10. Reinsurance in unauthorized companies (Line 14)			
11. All other liabilities (Balance)	5,433,347		5,433,347
12. Total liabilities (Line 18)	8,546,983		8,546,983
13. Total capital and surplus (Line 26)	5,138,028	X X X	5,138,028
14. Total liabilities, capital and surplus (Line 27)	13,685,011		13,685,011
NET CREDIT FOR CEDED REINSURANCE			
15. Claims unpaid			
16. Accrued medical incentive pool			
17. Premiums received in advance			
18. Reinsurance recoverable on paid losses			
19. Other ceded reinsurance recoverables			
20. Total ceded reinsurance recoverables			
21. Premiums receivable			
22. Unauthorized reinsurance			
23. Other ceded reinsurance payables/offsets			
24. Total ceded reinsurance payables/offsets			
25. Total net credit for ceded reinsurance			

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1		2		Direct Business Only			
		Guaranty Fund (Yes or No)		Is Insurer Licensed? (Yes or No)		3	4	5	6
States, Etc.						Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums
1.	Alabama	AL	No	No					
2.	Alaska	AK	No	No					
3.	Arizona	AZ	No	No					
4.	Arkansas	AR	No	No					
5.	California	CA	No	No					
6.	Colorado	CO	No	No					
7.	Connecticut	CT	No	No					
8.	Delaware	DE	No	No					
9.	District of Columbia	DC	No	No					
10.	Florida	FL	No	No					
11.	Georgia	GA	No	No					
12.	Hawaii	HI	No	No					
13.	Idaho	ID	No	No					
14.	Illinois	IL	No	No					
15.	Indiana	IN	No	No					
16.	Iowa	IA	No	No					
17.	Kansas	KS	No	No					
18.	Kentucky	KY	No	No					
19.	Louisiana	LA	No	No					
20.	Maine	ME	No	No					
21.	Maryland	MD	No	No					
22.	Massachusetts	MA	No	No					
23.	Michigan	MI	No	No					
24.	Minnesota	MN	No	No					
25.	Mississippi	MS	No	No					
26.	Missouri	MO	No	No					
27.	Montana	MT	No	No					
28.	Nebraska	NE	No	No					
29.	Nevada	NV	No	No					
30.	New Hampshire	NH	No	No					
31.	New Jersey	NJ	No	No					
32.	New Mexico	NM	No	No					
33.	New York	NY	No	No					
34.	North Carolina	NC	No	No					
35.	North Dakota	ND	No	No					
36.	Ohio	OH	No	No					
37.	Oklahoma	OK	No	No					
38.	Oregon	OR	No	No					
39.	Pennsylvania	PA	No	No					
40.	Rhode Island	RI	No	No					
41.	South Carolina	SC	No	No					
42.	South Dakota	SD	No	No					
43.	Tennessee	TN	No	No					
44.	Texas	TX	No	Yes				119,224,610	
45.	Utah	UT	No	No					
46.	Vermont	VT	No	No					
47.	Virginia	VA	No	No					
48.	Washington	WA	No	No					
49.	West Virginia	WV	No	No					
50.	Wisconsin	WI	No	No					
51.	Wyoming	WY	No	No					
52.	American Samoa	AS	No	No					
53.	Guam	GU	No	No					
54.	Puerto Rico	PR	No	No					
55.	U.S. Virgin Islands	VI	No	No					
56.	Canada	CN	No	No					
57.	Aggregate other alien		X X X	X X X					
58.	Total (Direct Business)		X X X	(a) 1				119,224,610	
DETAILS OF WRITE-INS									
5701.	.....							
5702.	.....							
5703.	.....							
5798.	Summary of remaining write-ins for Line 57 from overflow page								
5799.	Total (Line 5701 through Line 5703 plus Line 5798) (Line 57 above)								
Explanation of basis of allocation by states, premiums by state, ect.									
.....									
.....									
.....									

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES
OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

All insurer members of a Holding Company Group that has acquired and/or disposed of any domestic insurer (s) since filing the last annual or quarterly statement shall prepare a common schedule for inclusion in each of the individual quarterly statements

PART 1 - ORGANIZATIONAL LISTING

Electronic Filing Only

1	2	3	4	5	6
NAIC Group Code	Group Name	NAIC Company Code	State of Domicile	FEI Number	Name of Company
			TN	62-1162462	UT MEDICAL GROUP
			TN	62-1113169	THE REGIONAL MEDICAL CENTER

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES
OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

PART 1 - ORGANIZATIONAL CHART

NONE

SCHEDULE Y (Continued)

PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

1	2	3	4	5	6	7	8	9	10	11	12	13
NAIC Company Code	Federal ID Number	Names of Insurers and Parent, Subsidiaries or Affiliates	Shareholder Dividends	Capital Contributions	Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	Income/ (Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	Management Agreements and Service Contracts	Income/ (Disbursements) Incurred Under Reinsurance Agreements	*	Any Other Material Activity Not in the Ordinary Course of the Insurer's Business	Totals	Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/ (Liability)
.....	62-1113169	The Regional Medical Center						49,069			49,069	
.....	62-1162462	UTMG						2,000			2,000	
9999999 - CONTROL TOTALS								51,069				

NONE

If the nature of the transactions reported in Part 2 requires explanation, report such in the following explanatory note:

.....

.....

.....

.....

SCHEDULE A - PART 1

Showing all Real Estate OWNED December 31 of Current Year

1	Location		4	5	6	7	8	9	10	11	12	13	14	15
Description of Property	2	3	Date Acquired	Date of Last Appraisal	Actual Cost	Amount of Encumbrances	Book/Adjusted Carrying Value Less Encumbrances	Fair Value Less Encumbrances	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Amounts Received During Year	Expended for Additions , Permanent Improvements and Changes in Encumbrances During Year	Gross Income Earned Less Interest Incurred on Encumbrances	Taxes, Repairs and Expenses Incurred
	City	State												

NONE

SCHEDULE A - PART 2

Showing all Real Estate ACQUIRED During the Year

1	Location		4	5	6	7	8	9
	2	3						
Description of Property	City	State	Date Acquired	Name of Vendor	Actual Cost	Amount of Encumbrances	Book/Adjusted Carrying Value Less Encumbrances	Expended for Additions and Permanent Improvements

NONE

SCHEDULE A - PART 3

Showing all Real Estate SOLD during the Year , including Payments during the Final Year on "Sales under Contract"

1	Location		4	5	6	7	8	9	10	11	12	13	14	15	16
	2	3													
Description of Property	City	State	Disposal Date	Name of Purchaser	Actual Cost	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Expended for Additions, Permanent Improvements and Changes in Encumbrances	Book/Adjusted Carrying Value Less Encumbrances	Amounts Received	Foreign Exchange Profit (Loss) on Sale	Realized Profit (Loss) on Sale	Total Profit (Loss) on Sale	Gross Income Earned Less Interest Incurred on Encumbrances	Taxes, Repairs and Expenses Incurred

NONE

SCHEDULE B - PART 1

Showing all Mortgage Loans OWNED December 31 of Current Year

1	Location		4	5	6	7	8	9	10	11
Loan Number	2 City	3 State	Loan Type	Date Acquired	Rate of Interest	Book Value/Recorded Investment Excluding Accrued Interest	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Value of Land and Buildings	Date of Last Appraisal or Valuation

NONE

General Interrogatory:
1. Mortgages in good standing \$ unpaid taxes \$ interest due and unpaid.
2. Restructured mortgages \$ unpaid taxes \$ interest due and unpaid.
3. Mortgages with overdue interest over 90 days not in process of foreclosure \$ unpaid taxes \$ interest due and unpaid.
4. Mortgages in process of foreclosure \$ unpaid taxes \$ interest due and unpaid.

SCHEDULE B - PART 2

Showing all Mortgage Loans SOLD , transferred or paid in full during the Year

1	Location		4	5	6	7	8	9	10	11	12	13
Loan Number	2	3	Loan Type	Date Acquired	Book Value/Recorded Investment Excluding Accrued Interest Prior Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Book Value/Recorded Investment Excluding Accrued Interest at Disposition	Consideration Received	Foreign Exchange Profit (Loss) on Sale	Realized Profit (Loss) on Sale	Total Profit (Loss) on Sale
	City	State										

NONE

SCHEDULE BA - PART 1

Showing Other Long-Term Invested Assets OWNED December 31 of Current Year

1	Location		4	5	6	7	8	9	10
Number of Units and Description	2	3	Name of Vendor	Date Acquired	Actual Cost	Amount of Encumbrances	Book/Adjusted Carrying Value Less Encumbrances	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment
	City	State							

NONE

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets SOLD , transferred or paid in full during the Year

1	Location		4	5	6	7	8	9	10	11	12	13
Number of Units and Description	2	3	Name of Purchaser or Nature of Disposition	Date Acquired	Book / Adjusted Carrying Value Less Encumbrances , Prior Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Book / Adjusted Carrying Value Less Encumbrances at Disposition	Consideration Received	Foreign Exchange Profit (Loss) on Sale	Realized Profit (Loss) on Sale	Total Profit (Loss) on Sale
	City	State										

NONE

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31 of Current Year

1	2	3	Interest		6	7	8	9	10	11	12	13	Interest		16	17	18	19	20	21
CUSIP Identification	Description	*	4	5	Maturity Date	Option Date	Option Call Price	Book / Adjusted Carrying Value	Par Value	Rate Used to Obtain Fair Value	Fair Value	Actual Cost	14	15	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Amount of Interest Due and Accrued December 31 Current Year , on Bonds in Default as to Principal or Interest	NAIC Designation	Date Acquired	Effective Rate of Interest
			Rate of	How Paid									Amount Due and Accrued December 31 of Current Year on Bonds not in Default	Gross Amount Received During Year						
U. S. Governments - Issuer Obligations																				
	UNITED STATES TREASURY		5.250	ApOc	04/30/2004			504,811	500,000	5.820	504,811	510,121	2,187	26,250						
	UNITED STATES TREASURY		6.000	AuFe	08/15/2004			1,418,882	1,415,000	4.510	1,418,882	1,424,065	35,375	84,900						
	UNITED STATES TREASURY		3.375	AuFe	05/15/2004			486,018	485,000	3.220	486,018	486,423	1,364	16,368						
0199999 - U. S. Governments - Issuer Obligations																				
								2,409,711	2,400,000		2,409,711	2,420,609	38,926	127,518						
0399999 - Subtotal - U. S. Governments																				
								2,409,711	2,400,000		2,409,711	2,420,609	38,926	127,518						
States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations																				
	TENNESSE VALLEY AUTHORITY		5.000	DeFe	12/15/2004			203,414	200,000	3.200	203,414	206,556	361	3,972						
1199999 - States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations																				
								203,414	200,000		203,414	206,556	361	3,972						
1799999 - Subtotal - States, Territories and Possessions (Direct and Guaranteed)																				
								203,414	200,000		203,414	206,556	361	3,972						
5499999 - Total Bonds - Subtotal - Issuer Obligations																				
								2,613,125	2,600,000		2,613,125	2,627,165	39,287	131,490						
6099999 - TOTALS																				
								2,613,125	2,600,000		2,613,125	2,627,165	39,287	131,490						

SCHEDULE D - PART 2 - SECTION 1

Showing all PREFERRED STOCKS Owned December 31 of Current Year

1	2	3	4	5	6	7	8	9	Dividends		12	13	14	15
									10	11				
CUSIP Identification	Description	Number of Shares	Par Value Per Share	Rate Per Share	Book/Adjusted Carrying Value	Rate Per Share Used to Obtain Fair Value	Fair Value	Actual Cost	Declared but Unpaid	Amount Received During Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	NAIC Designation	Date Acquired

NONE

SCHEDULE D - PART 2 - SECTION 2

Showing all COMMON STOCKS Owned December 31 of Current Year

1 CUSIP Identification	2 Description	3 Number of Shares	4 Book / Adjusted Carrying Value	5 Rate Per Share Used to Obtain Fair Value	6 Fair Value	7 Actual Cost	Dividends		10 Increase (Decrease) by Adjustment	11 Increase (Decrease) by Foreign Exchange Adjustment	12 NAIC Designation (a)	13 Date Acquired
							8 Declared but Unpaid	9 Amount Received During Year				

NONE

(a) For all common stocks bearing the NAIC designation "U" provide: the number of such issues, the total \$ value (included in Column 6) of all such issues \$

SCHEDULE D - PART 3

Showing all Long-Term Bonds and Stocks ACQUIRED During Current Year

1	2	3	4	5	6	7	8
CUSIP Identification	Description	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends
Bonds - U.S. Governments							
	UNITED STATES TREASURY NOTE	05/31/2002	NBC		484,396	483,000.00	
0399999 - Subtotal - Bonds - U.S. Governments					484,396	483,000.00	
Bonds - Public Utilities (Unaffiliated)							
	UNION ELEC CO	02/01/2002	AMSOUTH		197,521	185,000.00	954
3899999 - Subtotal - Bonds - Public Utilities (Unaffiliated)					197,521	185,000.00	954
6099997 - Subtotal - Bonds - Part 3					681,917	668,000.00	954
6099998 - Summary Item from Part 5 for Bonds					14,946,618	15,533,000.00	
6099999 - Subtotal - Bonds					15,628,535	16,201,000.00	954
7299999 - TOTALS					15,628,535		954

SCHEDULE D - PART 4

Showing all Long-Term Bonds and Stocks SOLD , REDEEMED or Otherwise DISPOSED OF During Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
CUSIP Identifi- cation	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Book /Adjusted Carrying Value at Disposal Date	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Interest on Bonds Received During Year	Dividends on Stocks Received During Year
6099998	- Summary Item from Part 5 for Bonds				15,126,235	15,533,000.00	14,946,618	14,425,736	(20,882)			102,681	102,681	120,292	
6099999	- Subtotal - Bonds				15,126,235	15,533,000.00	14,946,618	14,425,736	(20,882)			102,681	102,681	120,292	
7299999	- TOTALS				15,126,235		14,946,618	14,425,736	(20,882)			102,681	102,681	120,292	

SCHEDULE D - PART 5

Showing all Long-Term Bonds and Stocks ACQUIRED During Year and Fully DISPOSED OF During Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
CUSIP Identifi- cation	Description	Date Acquired	Name of Vendor	Disposal Date	Name of Purchaser	Par Value (Bonds) or Number of Shares (Stocks)	Actual Cost	Consideration	Book/Adjusted Carrying Value at Disposal Date	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Interest and Dividends Received During Year	Paid for Accrued Interest and Dividends
Bonds - U. S. Governments																
	Federal Farm Credit Bank	02/01/2002	Amsouth		AMSOUTH	250,000.000	249,895	252,005	249,912	17			2,110	2,110	3,754	
	Federal Farm Credit Bank	02/01/2002	Amsouth		AMOSOUTH	500,000.000	498,550	502,335	498,804	254			3,805	3,805	6,906	
	Federal Farm Credit Bank	02/01/2002	Amsouth		AMSOUTH	500,000.000	500,000	589,105	500,000							
	Federal Farm Credit Bank	03/01/2002	NBC		NBC	150,000.000	150,000	149,976	150,000				(24)	(24)		
	Federal Home Loan Bank	02/01/2002	Amsouth		AMSOUTH	500,000.000	510,011	510,011	508,116	(1,895)					5,298	
	Federal Home Loan Bank	02/01/2002	Amsouth		AMSOUTH	500,000.000	499,580	504,973	499,650	70			5,393	5,393	7,101	
	Federal Home Loan Bank	02/01/2002	Amsouth		AMSOUTH	250,000.000	251,048	253,757	251,048				2,710	2,710	3,628	
	Federal Home Loan Bank	01/01/2002	NBC		NBC	2,000,000.000	2,000,626	2,000,000	2,000,462	(164)			4,374	4,374	3,125	
	Federal Home Loan Bank	01/01/2002	NBC		NBC	750,000.000	749,625	751,523	750,000	375			1,898	1,898	10,443	
	Federal Home Loan Bank	02/01/2002	NBC		NBC	500,000.000	499,925	499,688	499,960	35			(238)	(238)	3,531	
	Federal Home Loan Bank	01/01/2002	NBC		NBC	310,000.000	311,712	312,034	311,264	(448)			323	323	1,049	
	Federal Home Loan Bank	03/01/2002	NBC		NBC	830,000.000	829,585	829,222	829,672	87			(363)	(363)	4,980	
	Federal Home Loan Bank	03/01/2002	NBC		NBC	500,000.000	500,000	500,000								
	Federal Farm Credit Bank	01/01/2002	NBC		NBC	500,000.000	506,745	500,000	505,845	(900)			(6,745)	(6,745)	13,900	
	Federal National Mortgage Assn	02/01/2002	Amsouth		AMOSOUTH	140,000.000	141,750	140,255	141,414	(336)			(1,495)	(1,495)	2,375	
	Federal National Mortgage Assn	01/01/2002	NBC		NBC	235,000.000	234,883	235,000	234,906	23			118	118	2,734	
	UNITED STATES TREASURY NOTES	02/01/2002	Amsouth	06/25/2002	AMSOUTH	1,000,000.000	1,042,500	1,044,305	1,035,016	(7,484)			7,890	7,890	961	
	UNITED STATES TREASURY NOTES	02/01/2002	Amsouth		AMSOUTH	1,000,000.000	1,003,125	1,010,694	1,002,329	(796)			7,569	7,569	12,543	
	UNITED STATES TREASURY NOTES	03/01/2002	Amsouth		AMSOUTH	500,000.000	498,633	502,417	498,911	278			3,784	3,784	4,437	
	UNITED STATES TREASURY NOTES	03/01/2002	Amsouth		AMSOUTH	500,000.000	496,641	503,139	497,334	693			6,498	6,498	2,860	
	Federal National Mortgage Assn	04/01/2002	NBC		NBC	1,233,000.000	509,913	500,000	507,729	(2,184)			(7,729)	(7,729)		
	UNITED STATES TREASURY NOTES	03/01/2002	Amsouth		AMSOUTH	500,000.000	499,297	507,107	499,347	50			7,810	7,810	7,375	
	Federal National Mortgage Assn	04/01/2002	AMSOUTH		AMSOUTH	250,000.000	249,375	299,888	249,499	124			50,389	50,389	4,304	
0399999	- Subtotal - Bonds - U. S. Governments					13,398,000.000	12,733,419	12,897,434	12,221,218	(12,201)			88,077	88,077	101,304	
Bonds - States , Territories and Possessions																
1799999	- Subtotal - Bonds - States , Territories and Possessions															
Bonds - Industrial and Miscellaneous (Unaffiliated)																
	ABBOTT LABS	02/01/2002	AMSOUTH	06/25/2002		150,000.000	155,550	155,716	154,443	(1,107)			166	166	1,773	
	GTE NORTH INC	02/01/2002	AMOSOUTH	06/25/2002		200,000.000	208,636	207,518	206,492	(2,144)			(1,118)	(1,118)	3,041	
	MARSH & MCLENAN COS	02/01/2002	AMSOUTH	06/25/2002		150,000.000	159,125	162,399	157,276	(1,849)			3,275	3,275	399	
	SALOMON SMITH BARNEY	02/01/2002	AMSOUTH	06/25/2002		200,000.000	211,390	211,634	211,634	244			244	244	1,316	
	UNION ELECTRIC CO	02/01/2002	AMSOUTH	06/25/2002		185,000.000	197,521	196,502	196,502	(1,019)			(1,019)	(1,019)	2,498	
	BP CAPITAL	02/01/2002	AMSOUTH	06/25/2002		250,000.000	249,165	251,947	249,269	104			2,782	2,782	2,960	
	MERCK & CO	02/01/2002	AMSOUTH	06/25/2002		250,000.000	253,443	254,373	252,968	(475)			930	930	2,797	
	MERRILL LYNCH & CO	02/01/2002	AMSOUTH	06/25/2002		250,000.000	258,983	261,279	259,318	335			2,296	2,296	880	
	MINNESOTA MINNING & MFG	02/01/2002	AMSOUTH	06/25/2002		250,000.000	249,843	253,279	249,861	18			3,436	3,436	2,983	
	PROCTOR & GAMBLE	02/01/2002	AMSOUTH	06/25/2002		250,000.000	269,543	274,154	266,755	(2,788)			3,612	3,612	341	
4599999	- Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)					2,135,000.000	2,213,199	2,228,801	2,204,518	(8,681)			14,604	14,604	18,988	
6099998	- Subtotal - Bonds					15,533,000.000	14,946,618	15,126,235	14,425,736	(20,882)			102,681	102,681	120,292	
7299999	- TOTALS						14,946,618	15,126,235	14,425,736	(20,882)			102,681	102,681	120,292	

SCHEDULE D - PART 6 - SECTION 1

Valuation of Shares of Subsidiary , Controlled or Affiliated Companies

1 CUSIP Identification	2 Description Name of Subsidiary , Controlled or Affiliated Company	3 NAIC Company Code or Alien Insurer Identification Number	4 NAIC Valuation Method (See SVO Purposes and Procedures manual)	5 Do Insurer's Assets Include Intangible Assets Connected with Holding of Such Company's Stock?	6 Total Amount of Such Intangible Assets	7 Book / Adjusted Carrying Value	Stock of Such Company Owned by Insurer on Statement Date	
							8 Number of Shares	9 % of Outstanding

NONE

1. Amount of insurer's capital and surplus from the prior period's statutory statement reduced by any admitted EDP, goodwill and net deferred tax assets included therein: \$
2. Total amount of intangible assets nonadmitted \$

SCHEDULE D - PART 6 - SECTION 2

1 CUSIP Identification	2 Name of Lower-tier Company	3 Name of Company Listed in Section 1 Which Controls Lower-tier Company	4 Total Amount of Intangible Assets Included in Amount Shown in Column 6, Section 1	Stock in Lower-Tier Company Owned Indirectly by Insurer on Statement Date	
				5 Number of Shares	6 % of Outstanding

NONE

SCHEDULE DA - PART 1

Showing all SHORT-TERM INVESTMENTS Owned December 31 of Current Year

1	2	3	4	Interest		7	8	9	10	11	12	Interest		15	16	17						
												13	14									
				5	6							Amount Due and Accrued Dec. 31 of Current Year on Bonds Not in Default	Gross Amount Received									
CUSIP Identifi- cation	Description	Date Acquired	Name of Vendor	Rate of	How Paid	Maturity Date	Book / Adjusted Carrying Value	Increase (Decrease) by Adjustment (a)	Increase (Decrease) by Foreign Exchange Adjustment	Par Value	Actual Cost			Paid for Accrued Interest	NAIC Desig- nation	Effective Rate of Interest						

NONE

(a) Includes \$other than accrual of discount and amortization of premium .

SCHEDULE DB - PART A - SECTION 1

Showing all Options , Caps , Floors and Insurance Futures Options Owned December 31 of Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry , or Settlement	Strike Price , Rate or Index	Date of Acquisition	Exchange or Counterparty	Cost/Option Premium	Book Value	*	Statement Value	Fair Value	Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income

NONE

SCHEDULE DB - PART A - SECTION 2

Showing all Options , Caps , Floors and Insurance Futures Options Acquired During Current Year

1	2	3	4	5	6	7
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry , or Settlement	Strike Price, Rate or Index	Date of Acquisition	Exchange or Counterparty	Cost/Option Premium

NONE

SCHEDULE DB - PART A - SECTION 3

Showing all Owned Options , Caps , Floors and Insurance Futures Options Terminated During Current Year

1 Description	2 Number of Contracts or Notional Amount	3 Date of Maturity, Expiry, or Settlement	4 Strike Price, Rate or Index	5 Date of Acquisition	6 Exchange or Counterparty	7 Cost/Option Premium	8 Indicate Exercise, Expiration, Maturity or Sale	9 Termination Date	10 Book Value	11 *	12 Consideration Received on Terminations	13 Increase/ (Decrease) by Adjustment	Gain/ (Loss) on Termination			17 Other Investment/ Miscellaneous Income
													14 Recognized	15 Used to Adjust Basis of Hedged Item	16 Deferred	

NONE

E17

SCHEDULE DB - PART B - SECTION 1

Showing all Options , Caps , Floors and Insurance Futures Options Written and In-Force December 31 of Current Year

1 Description	2 Number of Contracts or Notional Amount	3 Date of Maturity, Expiry, or Settlement	4 Strike Price, Rate or Index	5 Date of Issuance/ Purchase	6 Exchange or Counterparty	7 Consideration Received	8 Book Value	9 *	10 Statement Value	11 Fair Value	12 Increase/ (Decrease) by Adjustment	13 Used to Adjust Basis	14 Other Investment/ Miscellaneous Income
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NONE

SCHEDULE DB - PART B - SECTION 2

Showing all Options , Caps , Floors and Insurance Futures Options Written During Current Year

1	2	3	4	5	6	7
Description	Number of Contracts or Notional Amount	Date of Maturity , Expiry , or Settlement	Strike Price , Rate or Index	Date of Issuance / Purchase	Exchange or Counterparty	Consideration Received

NONE

SCHEDULE DB - PART B - SECTION 3

Showing all Written Options , Caps , Floors and Insurance Futures Options Terminated During Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	Gain/ (Loss) on Termination			17
													14	15	16	
Description	Number of Contracts or Notional Amount	Date of Maturity , Expiry , or Settlement	Strike Price , Rate or Index	Date of Issuance / Purchase	Exchange or Counterparty	Consideration Received	Indicate Exercise , Expiration , Maturity or Closing Purchase Transaction	Termination Date	Book Value	*	Consideration Paid on Terminations	Increase/ (Decrease) by Adjustment	Recognized	Used to Adjust Basis	Deferred	Other Investment/ Miscellaneous Income

NONE

SCHEDULE DB - PART C - SECTION 1

Showing all Collar , Swap and Forwards Open December 31 of Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Description	Notional Amount	Date of Maturity , Expiry, or Settlement	Strike Price , Rate or Index Rec (Pay)	Date of Opening Position or Agreement	Exchange or Counterparty	Cost or (Consideration Received)	Book Value	*	Statement Value	Fair Value	Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income	Potential Exposure

NONE

SCHEDULE DB - PART C - SECTION 2

Showing all Collar , Swap and Forwards Opened During Current Year

1	2	3	4	5	6	7
Description	Notional Amount	Date of Maturity , Expiry, or Settlement	Strike Price , Rate or Index Rec (Pay)	Date of Opening Position or Agreement	Exchange or Counterparty	Cost or (Consideration Received)

NONE

SCHEDULE DB - PART C - SECTION 3

Showing all Collar , Swap and Forwards Terminated During Current Year

1 Description	2 Notional Amount	3 Date of Maturity, Expiry, or Settlement	4 Strike Price, Rate or Index Rec (Pay)	5 Date of Opening Position or Agreement	6 Exchange or Counterparty	7 Cost or (Consideration Received)	8 Indicate Exercise, Expiration, Maturity or Sale	9 Termination Date	10 Book Value	11 *	12 Consideration Received or (Paid) on Terminations	13 Increase/ (Decrease) by Adjustment	Gain/ (Loss) on Termination			17 Other Investment/ Miscellaneous Income
													14 Recognized	15 Used to Adjust Basis of Hedged Item	16 Deferred	

NONE

E20

SCHEDULE DB - PART D - SECTION 1

Showing all Futures Contracts and Insurance Futures Contracts Open December 31 of Current Year

1 Description	2 Number of Contracts	3 Maturity Date	4 Original Value	5 Current Value	6 Variation Margin	7 Date of Opening Position	8 Exchange or Counterparty	9 Cash Deposit	Variation Margin Information			13 Potential Exposure
									10 Recognized	11 Used to Adjust Basis of Hedged Item	12 Deferred	

NONE

SCHEDULE DB - PART D - SECTION 2

Showing all Futures Contracts and Insurance Futures Contracts Opened During Current Year

1	2	3	4	5	6	7
Description	Number of Contracts	Maturity Date	Original Value	Date of Opening Position	Exchange or Counterparty	Net Additions to Cash Deposits

NONE

SCHEDULE DB - PART D - SECTION 3

Showing all Futures Contracts and Insurance Futures Contracts Terminated During Current Year

1	2	3	4	5	6	7	8	9	10	Variation Margin Information		
										11	12	13
Description	Number of Contracts	Maturity Date	Original Value	Termination Value	Variation Margin	Date of Opening Position	Exchange or Counterparty	Net Reduction to Cash Deposits	Termination Date	Gain / (Loss) Recognized	Gain / (Loss) Used to Adjust Basis of Hedged Item	Gain / (Loss) Deferred

NONE

SCHEDULE DB - PART E - SECTION 1

Showing Counterparty Exposure for Derivative Instruments Open December 31 of Current Year

1	2	3	Statement Value			Fair Value			10	11
			4	5	6	7	8	9		
Description Counterparty or Exchange Traded	Master Agreement (Y or N)	Fair Value of Acceptable Collateral	Contracts Statement Value > 0	Contracts Statement Value < 0	Exposure Net of Collateral	Contracts Fair Value > 0	Contracts Fair Value < 0	Exposure Net of Collateral	Potential Exposure	Off-Balance Sheet Exposure

NONE

SCHEDULE DM

For bonds and preferred stocks owned as of December 31 , state the aggregate statement (admitted) value, the aggregate fair value, and the aggregate difference, if any, between them .

	1 Statement (Admitted) Value	2 Fair Value (a)	3 Excess of Statement over Fair Value (-), or Fair Value over Statement(+)
1. Bonds
2. Preferred Stocks
3. Totals

(a) Amortized or book values shall not be subst

NONE

SCHEDULE E - PART 1 - CASH

1		2	3	4	5	6
Depository		Rate of Interest	Amount of Interest Received During Year	Amount of Interest Accrued December 31 of Current Year	Balance	*
Name	Location and Supplemental Information					
Open Depositories						
GENERAL OPERATING	NBC				122,338	
CLAIMS	NBC				(100,500)	
INVESTMENT	NBC		2,406		186,022	
GENERAL OPERATING	AMSOUTH		72,896		6,404,840	
CLAIMS	AMSOUTH				(10,416,258)	
PAYROLL	AMSOUTH				(23,654)	
INVESTMENT	AMSOUTH		33,021		3,832	
TRUST	AMSOUTH		325,041		14,141,129	
0199999 - TOTAL - Open Depositories			433,365		10,317,748	
0399999 - TOTAL Cash on Deposit			433,365		10,317,748	
0499999 - Cash in Company's Office					400	
0599999 - TOTAL Cash			433,365		10,318,148	

TOTALS OF DEPOSITORY BALANCES ON THE LAST DAY OF EACH MONTH DURING THE CURRENT YEAR

1. January	43,285,185	4. April	23,649,789	7. July	12,300,963	10. October	10,341,587
2. February	36,393,458	5. May	3,243,912	8. August	9,361,369	11. November	8,933,350
3. March	31,908,780	6. June	15,325,599	9. September	9,779,794	12. December	10,323,018

SCHEDULE E - PART 2 - SPECIAL DEPOSITS

1 Line Number	2 Type	3 Description of Deposit	4 Where Deposited and Purpose of Deposit	5 Par or Book Value	6 Statement Value (a)	7 Fair Value
Tennessee						
TN00001		US Treasury	NBC	2,400,000	2,409,712	2,409,712
TN99999	Tennessee			2,400,000	2,409,712	2,409,712
XX99999	Subtotal - Special Deposits NOT held for the benefit of all Policyholders, Claimants, and Creditors of the Company			2,400,000	2,409,712	2,409,712
9999999	TOTALS			2,400,000	2,409,712	2,409,712

(a) Including \$cash and short-term investments as defined in SSAP No. 2 of the NAIC Accounting Practices and Procedures Manual.

SUPPLEMENT FOR THE YEAR 2002 OF THE Memphis Managed Care Corp.

LONG-TERM CARE EXPERIENCE REPORTING FORM - A

NATIONWIDE EXPERIENCE

CLAIM EXPERIENCE BY CALENDAR DURATION

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 00000



	1	2	3	4	5	6	7	8	9
Calendar Duration	Policy Form	First Year Issued	Earned Premiums By Duration	Incurred and Paid	Reserve for Incurred but Unpaid	Total Incurred Claims	Change in Policy (Active Life) Reserves Over the Experience Period	Anticipated Calendar Duration Loss Percentage	Number of Insured Lives
0	
1	
2	
3	
4	
5-9	
10+	
Total Calendar Year			X X X	.....

Policy Form-Calendar Year (a) Actual Loss Percentage (Column 6/Column 3); (b) Anticipated Loss Percentage (see Instruction Form A Item 9); (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8	9
0		<div>NONE</div>			.....	.....	.....
1	
2	
3	
4	
5-9	
10+	
Total Calendar Year			X X X	.....

Policy Form-Calendar Year (a) Actual Loss Percentage (Column 6/Column 3); (b) Anticipated Loss Percentage (see Instruction Form A Item 9); (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8	9
0	
1	
2	
3	
4	
5-9	
10+	
Total Calendar Year			X X X	.....

Policy Form-Calendar Year (a) Actual Loss Percentage (Column 6/Column 3); (b) Anticipated Loss Percentage (see Instruction Form A Item 9); (c) Actual to Anticipated Loss Percentage (a/b)

	3	4	5	6	7	8	9
1. Individual	<div>NONE</div>	.....	.....	X X X	X X X	X X X
2. Group direct response	X X X	X X X	X X X
3. Other group	X X X	X X X	X X X
4. Total (sum Lines 1 to 3)	X X X	X X X	X X X



LONG-TERM CARE EXPERIENCE REPORTING FORM - B
NATIONWIDE EXPERIENCE
CUMULATIVE CLAIM EXPERIENCE

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 00000

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0		...						
1		...						
2		...						
3		...						
4		...						
5-9		...						
10+		...						
Cumulative Total					X X X	X X X	X X X	X X X

Policy Form-Cumulative (a) Actual Loss Percentage (Column 4/Column 3); (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10); (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8
0		...						
1		...						
2		...						
3		...						
4		...						
5-9		...						
10+		...						
Cumulative Total						X X X	X X X	X X X

Policy Form-Cumulative (a) Actual Loss Percentage (Column 4/Column 3); (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10); (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8
0		...						
1		...						
2		...						
3		...						
4		...						
5-9		...						
10+		...						
Cumulative Total					X X X	X X X	X X X	X X X

Policy Form-Cumulative (a) Actual Loss Percentage (Column 4/Column 3); (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10); (c) Actual to Anticipated Loss Percentage (a/b)

	3	4	5	6	7	8
1. Individual			X X X	X X X	X X X	X X X
2. Group direct response			X X X	X X X	X X X	X X X
3. Other group			X X X	X X X	X X X	X X X
4. Total (sum Lines 1 to 3)		NONE	X X X	X X X	X X X	X X X
5. Actual total reported experience through statement year			X X X	X X X	X X X	X X X
6. Actual total reported experience through prior year			X X X	X X X	X X X	X X X
7. Calendar year reported experience (Line 5 minus Line 6)			X X X	X X X	X X X	X X X

Note: a. Was experience prior to 1991 used in preparing this form? Yes () No ()
b. If yes, indicate the calendar years that were included:



SUPPLEMENTAL COMPENSATION EXHIBIT

(To be filed by March 1)

PART 1 - INTERROGATORIES

1. The reporting insurer is a member of a group of insurers or other holding company system: Yes () No (X)
If yes, do the below amounts represent
1) total gross compensation paid to each individual by or on behalf of all companies which are part of the group: Yes [] ; or
2) allocation to each insurer: Yes [] .
2. Did any person while an officer , director , or trustee of the reporting entity receive directly or indirectly , during the period covered by this statement any commissions on the business transactions of the reporting entity?

Yes () No (X)
3. Except for retirement plans generally applicable to its staff employees , has the reporting entity any agreement with any person , other than contracts with its agents for the payment of commissions whereby it agrees that for any service rendered or to be rendered , that he /she shall receive directly or indirectly , any salary , compensation or emolument that will extend beyond a period of 12 months from the date of the agreement?

Yes () No (X)

PART 2 - OFFICERS AND EMPLOYEES COMPENSATION

1		2	Annual Compensation			
Principal Position	Name		3	4	5	6
		Year	Salary	Bonus	All Other Compensation	Totals
Chief Executive Officer		2002	.....	.....	.....	.....
		2001	.....	.....	.....	.....
		2000	.....	.....	.....	.....
1. Chief Financial Officer	Art Ansert	2002	..... 100,845	..... 4,750	.....	..... 105,595
		2001	..... 95,000	.....	.....	..... 95,000
		2000	.....	.....	.....	.....
2. Medical Director	Dianna Grant	2002	..... 233,308	..... 25,000	.....	..... 258,308
		2001	..... 200,000	.....	.....	..... 200,000
		2000	..... 200,000	.....	.....	..... 200,000
3. President	Al King	2002	..... 190,000	.....	.....	..... 190,000
		2001	..... 180,000	.....	.....	..... 180,000
		2000	..... 168,000	.....	.....	..... 168,000
4. VP of Medical	Jamie Patterson	2002	..... 103,070	..... 4,825	.....	..... 107,896
		2001	..... 76,000	.....	.....	..... 76,000
		2000	..... 70,000	.....	.....	..... 70,000
5. Director of HR	Kathy Londow	2002	..... 93,519	..... 4,129	.....	..... 97,648
		2001	..... 73,500	.....	.....	..... 73,500
		2000	..... 73,500	.....	.....	..... 73,500
6. VP of Operations	Michael Jones	2002	..... 85,808	..... 3,850	.....	..... 89,658
		2001	.....	.....	.....	.....
		2000	.....	.....	.....	.....
7. VP of Administration	Michael Scarbrough	2002	..... 86,125	.....	.....	..... 86,125
		2001	.....	.....	.....	.....
		2000	.....	.....	.....	.....
8.		2002	.....	.....	.....	.....
		2001	.....	.....	.....	.....
		2000	.....	.....	.....	.....
9.		2002	.....	.....	.....	.....
		2001	.....	.....	.....	.....
		2000	.....	.....	.....	.....



AFFIDAVIT OF FILING AND FINANCIAL STATEMENT ATTESTATION

NAIC Company Code: 00000
NAIC Group Code : 0000

Reporting Entity Name: Memphis Managed Care Corp.
Domiciled in Tennessee
Mailing Address: 1407 Union Ave , Tennessee ,
Annual Statement Contact: Jim Proctor
(Name)

901-725-7100
(Telephone No.)

jproctor@mmcc-tlc.com
(E-mail Address)

In the Matter of the Annual Statement Filing Required for the Period Ending on the 31 day of December , 2002
Mailing Date: 04/21/2002

The officers of the above identified reporting entity, being duly sworn, each depose and say that on the mailing date above, a true and correct statement for the reporting period stated above and that the corresponding true and correct electronic file reflecting the statement for the above named reporting entity, has been sent to the National Association of Insurance Commissioners, according to their instructions. The statement and the corresponding electronic file are an exact and complete duplicate of the statement filed with the reporting entity's domestic state, except as to schedules, exhibits and information required to be submitted only to the reporting entity's domestic state.

Additionally, the officers of the above identified reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that for the reporting period stated above, all of the described assets in the above referenced statement were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as therein stated, and that the statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended on that date, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual, except to the extent that (1) state law may differ; or (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

----- Signature	----- Signature	----- Signature
----- President	----- Secretary	----- Treasurer

Signature

Witness

Subscribed and sworn to before me this
.....day of,

.....
Notary Public
My Commission Expires:

STATEMENT AS OF December 31, 2002 OF THE MEMPHIS MANAGED CARE CORPORATION

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	602,871	2,414,074	1,522,075
REVENUES:			
1 TennCare Capitation	110,461,710	399,735,662	230,129,015
2 Investment	80,247	1,108,039	1,496,619
3 Other Revenue	132,547	456,078	140,746
4 Total Revenue	110,674,504	401,349,779	231,766,381
EXPENSES:			
Medical and Hospital Services			
5 Capitated Physician Services	4,419,690	14,649,738	16,917,043
6 Fee for Service Physician Services	25,691,830	75,119,293	34,372,902
7 Inpatient Hospital Services	22,578,891	84,416,336	47,894,956
8 Outpatient Services	8,672,717	28,628,073	12,909,311
9 Emergency Room Services	8,039,769	26,258,265	11,990,696
10 Mental Health Services	9,729	35,432	5,890
11 Dental Services	891,631	5,694,154	2,811,480
12 Vision Services	873,967	2,714,922	1,320,858
13 Pharmacy Services	18,917,087	70,413,703	36,272,397
14 Home Health Services	400,311	1,632,683	894,522
15 Chiropractic Services	-	-	-
16 Radiology Services	3,034,383	12,943,939	5,288,374
17 Laboratory Services	2,484,503	8,807,398	2,937,692
18 Durable Medical Equipment Services	2,053,714	6,982,775	2,891,279
19 Transportation Services	889,953	3,148,123	3,470,298
20 Outside Referrals	-	-	-
21 Medical incentive Pool and Withhold Adjustments	-	-	-
22 Occupancy Depreciation and Amortization	-	-	-
23 Other Medical and Hospital Services	7,667,922	36,810,326	22,811,063
24 Subtotal	106,626,097	378,255,161	202,788,762
25 Reinsurance Expense Net of Recoveries	504,180	2,482,639	(111,978)
LESS:			
26 Copayments	-	-	-
27 Subrogation	103,516	488,519	68,659
28 Coordination of Benefits	62,835	192,750	111,867
29 Subtotal	166,351	681,269	180,526
30 TOTAL MEDICAL AND HOSPITAL	106,963,926	380,056,531	202,496,258
Administration			
31 Compensation	2,815,865	10,491,635	7,055,656
32 Marketing	10,809	48,955	97,455
33 Interest Expense	-	-	-
34 Premium Tax Expense	204,829	4,421,789	4,602,440
35 Occupancy Depreciation and Amortization	260,249	950,772	591,141
36 Other Administration	1,750,569	7,041,619	6,168,281
37 TOTAL ADMINISTRATION	5,042,320	22,954,770	18,514,972
38 TOTAL EXPENSES	112,006,246	403,011,301	221,011,230
39 NET INCOME (LOSS)	(1,331,742)	(1,661,522)	10,755,151

Memphis Managed Care
Reconciliation of
2002 Annual Statement & MLR Report 12/31/02

Annual Statement

IBNR	3,113,636
Claims Unpaid, Pg 3 Line 1	<u>3,113,636</u>

MLR Report

Remaining IBNR	3,113,636
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Service Dates

<04/30/02



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5 Times Square
New York, New York 10036-6530

■ Phone: (212) 773-3000
www.ey.com

STATEMENT OF ACTUARIAL OPINION

February 5, 2003

Board of Directors
Memphis Managed Care Corp.

I, Kirk Twiss, am a member of the American Academy of Actuaries ("the Academy"), and a Director, Managed Care Actuarial Services with the firm of Ernst & Young LLP. I have been retained by Memphis Managed Care Corp. ("the Company") to issue this opinion. I meet the Academy qualification standards for issuing this opinion, and I am familiar with the valuation requirements applicable to the Company.

I have reviewed the actuarial assumptions and actuarial methods used in determining the reserves and related actuarial items listed below and as shown in the annual statement of the Company, as prepared by the management of the Company for filing with state regulatory officials, as of December 31, 2002. My responsibility is to express an opinion on these reserves and related actuarial items based on my review. The actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Actuarial Standards of Practice and Actuarial Compliance Guidelines as promulgated by the Actuarial Standards Board, and form the basis of this statement of opinion.

<u>Item</u>	<u>Annual Statement Reference Page-Line</u>	<u>Amount</u>
Claims Unpaid	3-1	\$ 3,113,636
Accrued Medical Incentive Pool and Bonus Payments	3-2	\$ 0
Unpaid claims adjustment expense	3-3	\$ 0
Aggregate policy reserves	3-4	\$ 0
Experience rated refunds		\$ 0
Any Actuarial liabilities included on	3-17	\$ 0

The reserves and related actuarial items listed above represent the estimates made by management of the Company for all unpaid claims as of December 31, 2002.

Considerable uncertainty and variability are inherent in such estimates, and, accordingly, the subsequent development of the unpaid claims liability may not conform to the assumptions used in the determination of the unpaid claims liability and therefore may vary from the amounts in the foregoing table.

I have relied on listings and summaries of claims and other relevant data, and upon management's representations regarding the collectibility of reinsurance recoverable amounts, as expressed in the attached statement. I have relied upon Arthur Ansert, Chief Financial Officer, for the accuracy of the data, as expressed in the attached statement.

My review included the identification and evaluation of the effect on the foregoing reserves of capitated risk-sharing contracts with service providers; however, my review of such capitated risk-sharing contracts did not include an assessment of the financial condition of the service providers. As such, the following opinion rests on the assumption that such service providers will fulfill their obligations under their respective contracts with the Company.

In other respects, my examination included such review of the actuarial assumptions and actuarial methods, including comparing prior years' estimates of unpaid claims liabilities to their subsequent development and such other tests of the actuarial calculations as I considered necessary.

In my opinion, the reserves and related actuarial items identified above:

- (a) Are computed in accordance with presently accepted actuarial standards consistently applied, and are fairly stated in accordance with sound actuarial principles, except that consideration of the adequacy of the Company's reserves and related actuarial items in conjunction with the assets which support them has not been performed;
- (b) Are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the annual statement was prepared, and provide for all reasonably anticipated unpaid claims under the contracts;
- (c) Meet the requirements of the insurance laws and regulations of the state of Tennessee;
- (d) Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year;
- (e) Include provision for all actuarial reserves and related actuarial items which ought to be established; and
- (f) Make good and sufficient provision for all unpaid claims and other actuarial liabilities of the Company under the terms of its contracts and agreements, by which I mean that the estimated liabilities is an appropriate measure of reasonably



■ Ernst & Young LLP

anticipated payments on incurred claims under potentially moderately adverse development, although, consistent with the scope of my review, the adequacy of the Company's reserves and related actuarial items in conjunction with the assets which support them has not been considered,

My review did not include asset adequacy analysis, as such analysis is not in the scope of my assignment. I have not reviewed any of the Company's assets and I have not formed any opinion as to their validity or value. My opinion rests on the assumption that the Company's December 31, 2002 statutory-basis unpaid claims liability is funded by valid assets that have suitably scheduled maturities and/or adequate liquidity to meet future cash flow requirements.

The scope of my review did not include preparation of the Underwriting and Investment Exhibit - Part 2B of the Annual Statement. I relied upon Arthur Ansart regarding the consistency of paid claims data and unpaid claims estimates with the Underwriting and Investment Exhibit. As part of my review, I conducted analysis consistent with Section 3.6, "Follow-Up Studies", contained in ASOP Number 5, "Incurred Health and Disability Claims", adopted by the Actuarial Standards Board in December 2000.

My review relates only to those reserves and related actuarial items identified herein, and I do not express an opinion on the Company's financial statements taken as a whole.

This opinion has been prepared solely for the Board and the management of the Company and for filing with insurance regulatory agencies of states in which the Company is licensed, and is not intended for any other purpose.

A handwritten signature in cursive script that reads 'Kirk Twiss'.

Kirk Twiss, FSA, MAAA

Memphis Managed Care Corporation

Management Discussion and Analysis December 31, 2002

Financial Position

A. Assets

Total Assets as of December 31, 2002 \$16,058,100 with Net Admitted Assets of \$13,685,008. Overall Net Assets showed a decrease of \$40,314,182 (Current \$15,913,747 from the prior year of \$56,372,282). This was caused by the switch to an ASO model, which eliminated holding reserves for the payment of future medical expenses and the corresponding payout of existing reserves.

The largest area of decrease was in Cash \$39,143,562 (Current \$10,318,148 from \$49,461,710), while EDP Assets rose \$789,581 (\$1,187,024 from \$397,000), Furniture and Equipment rose (\$862,505 from None), and there was a decrease in Reinsurance Recoverable \$94,890 (Current \$123,077 from \$217,967).

B. Liabilities

Total Liabilities decreased \$34,186,718 - Current \$8,546,983 from \$42,733,701 for the prior year. Accounts Payable rose slightly to \$2,524,905 from \$2,276,556 in the prior period. This can be attributed to the change to an ASO model under the new CRA. The Unpaid Claims Reserve liability has been carefully reviewed and it has been certified by MMCC's external actuary.

Contingent Liabilities – There are various disputes that have arisen in the ordinary course of its business and some have caused legal proceedings to be initiated. One of which is a lawsuit with several medical providers for payment of medical claims for emergency room services approximating one million dollars in billed charges. We estimate that our maximum liability is less than \$400,000. The lawsuit is expected to be settled out of court. The negotiations are still actively ongoing, and the total exposure, if any, is expected to be within the parameters already noted.

C. Changes in Capital and Surplus

MMCC has statutory net worth of \$5,138,028 as of December 31, 2002. A detailed and line-by-line description of MMCC's Net Worth is as follows:

Line 21. Gross paid in and contributed surplus: This is the original

Line 22 – Surplus Notes: This is comprised of two items, the first being two \$1,000,000 capital surplus notes, one from each owner. The second being the remainder of what was originally \$9,500,083 in checks to the Regional Medical Center at Memphis that were retained in 1999 due to a capital deficiency. In an agreement signed by all parties and approved by the Department of Commerce and Insurance, checks for services were withheld from this owner. Per the agreement, MMCC would release these checks only after additional capital has been generated through operating margins over a 48 month period. The amount scheduled to be released is \$197,917 per month or \$593,751 per quarter. As of December 31, 2002 there was a balance of \$4,750,515.

Memphis Managed Care Corporation

Line 24 - Unassigned funds (surplus): This is the balance of the year's Retained Earnings.

Line 26. Total Capital and Surplus: The total statutory net worth for Memphis Managed Care Corporation is \$5,138,028 as of December 31, 2002.

Results of Operations.

A. Revenue

Premium Revenue decreased to \$116,527,239 from \$227,755,755 for the prior year. This decrease is due to the change in the contractual relationship with TennCare with the implementation of the stabilization period. Member months increased to 2,414,074 from 1,555,075 which was caused by the reassignment of members by TennCare.

Investment income

B. Medical Expenses

Medical expenses were down from last year due to the change to an ASO contract. Comparison between periods are not meaningful.

C. Administrative Expenses

Effective and efficient administration of the program continues to be a strong point for Memphis Managed Care Corporation total Administrative expenses including the 2% Premium Tax was \$22,954,770 (\$9.50 PMPM) vs. \$18,507,972 (\$12.15PMPM)

Memphis Managed Care Corporation continues to operate on a very conservative administrative budget and is projected to continue this trend through 2003.

Addendum

On June 18, 2002, the Tennessee Department of Commerce and Insurance approved MMCC's Plan of Corrective Action. The plan indicates that MMCC will correct its statutory net worth deficiency by June 30, 2003.